

# EXHIBIT J



# ANNUAL REPORT 2017201820192020

**Asetek A/S**

Assensvej 2  
DK-9220 Aalborg East  
Denmark

Phone: +45 9645 0047  
Fax: +45 9645 0048  
Web: [www.asetek.com](http://www.asetek.com)  
Mail: [info@asetek.com](mailto:info@asetek.com)

CVR-number: 3488 0522  
ISIN-number: DK0060477263  
LEI: 213800ATZVDWWKJ8NI47

**BOARD OF DIRECTORS**

Jukka Pertola, Chairman  
Chris J. Christopher, Vice Chairman  
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**COMPENSATION COMMITTEE**

Jukka Pertola  
Chris J. Christopher  
Jørgen Smidt

**EXECUTIVE MANAGEMENT**

André Sloth Eriksen, CEO  
Peter Dam Madsen, CFO

**AUDITOR**

PwC, State Authorized Public Accountants  
Nobelparken, Jens Chr. Skous Vej 1  
DK-8000 Aarhus C  
Phone: +45 8932 0000  
CVR-no 33 77 12 31

**EXECUTIVE MANAGEMENT**

André Sloth Eriksen  
CEO



Peter Dam Madsen  
CFO

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*We look back at a year that yielded remarkable results – the best ever. 2020 kept us busy on so many fronts.*

#### DEAR READER,

Just about a year ago, as we entered into 2020, we were looking into a year with many challenges and also some well defined opportunities. Little did we know that a corona virus would sweep across the globe wreaking havoc in so many ways. Now, as the vaccines are developed and being distributed, we can hopefully see the end of it. Certainly, this has been a nuisance, but I have to say that I am extremely impressed with my team's ability to adapt and carry on.

As a global organization, for many years we have been used to working across time zones etc. and it must have been that practice that kicked in. I don't think we missed a single beat in Operations. And more importantly, we managed to keep up our development momentum throughout the crisis. We are still debating internally how much impact the corona virus has had on our business. We don't know, is the truth. In 5 years, we can look back and give you a better answer. Enough about the virus for now!

We look back at a year that yielded remarkable results – the best ever. 2020 kept us busy on so many fronts. Our Gaming & Enthusiast group released more new products than ever before, and our Data Center group has been busy servicing both existing and new customers.

Despite losing our biggest customer, our sales increased by more than 30% and our profits and cash-flows followed along. The machine is well lubricated and again showed its ability to scale up as needed.

#### NEW BUSINESS

Let's look ahead. Upwards and onwards. I have always said that I would like for our business to have a third leg to stand on. I have the desire to have more robustness than two segments, based on one technology, can deliver. And even more importantly, I want to maintain a high growth rate for the next many years to come! Over the last 15 years we have grown more than 15% per year on average.

The consumer electronics Gaming & Enthusiast segment is by nature quite volatile. It depends on the launch of exciting technologies and games and for our enthusiast customer base to continue wanting to tinker with electronics. We certainly believe it will continue. As mentioned above history shows us a solid growth rate.

The Data Center business where we have been in the market for soon to be 10 years. During 2020, the European Commission acknowledged important Asetek viewpoints in their Green Deal climate initiative, and

the climate thinktank Concito listed our technology as 'best practice'. Good progress, indeed, and we see good traction now. There is still a strong need for further political actions in support of our climate agenda to reach the full potential, however.

I have also always said, that when I feel our current businesses have "grown up" the timing for an expanded strategic focus is right, and I do feel both businesses are grown up or very close.

We have been thinking hard and long about what to add to the mix. At the core, we are good at mechanics, electronics, and software. There is a word for that; Mechatronics. Since our inception, we have utilized the 3 branches of expertise in the liquid cooling products, but we can now venture outside of the that sphere.

If you know me, you may know that I have a background in racing. From racing moto cross as a kid over go-karts to formula cars – racing is in my DNA. When we were looking at different business opportunities, mixed with input from our e-Sports Academy (where we have six racing simulators) it became clear that the highly fragmented, and extremely rapidly growing simulator racing – market would be a very strong candidate, and after countless evaluations of opportunities, SimSports is where we settled. In many ways, the SimSports

market reminds me of the liquid cooling market 20 years ago.

We have now formed a strong, dedicated team within Asetek with the aim at offering products within a short time frame. We already carried out two M&A deals, as announced. We cannot say much more at this point, but stay tuned.

With all the added activity, we need more space. We have acquired a building plot in Aalborg and have started drawing up the plans for our new home for our Denmark-based team. It will be a landmark, and I look forward to showing you around.

We are working on many other initiatives as you can imagine. You can read about a few of them in this report, or in our new Sustainability report. And I invite you to sift through our web sites.

2021 certainly looks interesting for Asetek, and we welcome you to join us on the journey.

Thank you for your interest in Asetek,

André S. Eriksen,  
CEO and Founder of Asetek





*Asetek CEO André Sløth Eriksen and CFO Peter Dam Madsen (left) study the architect's first sketches for Asetek's new HQ and factory in Aalborg South. The site will be just 200-300 metres from the E45 motorway sliproad.*





# MANAGEMENT REPORT



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## THE YEAR 2020 OUTLINED

// **Record revenue of \$72.8 million, 34% growth from 2019**

// **Gross margins grew to 47% from 42% in 2019**

// **Adjusted EBITDA grew to \$15.6 million from \$6.2 million in 2019**

// Revenue in 2020 totaled \$72.8 million, an increase of 34% from 2019 (\$54.3 million), mainly reflecting increased shipments of Gaming and Enthusiast products.

// Gross margin expanded to 47% in 2020 from 42.3% in 2019. The growth primarily reflects a richer product mix, higher sales prices for Data center products and Asetek's business model transition for Gaming and Enthusiast OEMs that customize their liquid coolers.

// During the year, Asetek earned operating income of \$10.9 million (\$1.0 million) and Adjusted EBITDA of \$15.6 million (\$6.2 million).

// Asetek repurchased 844 thousand common shares during 2020 for a total cost of \$6.4 million.

// Operational achievements during the year:

/ Asetek continued its success as the leading supplier of liquid cooling solutions for high-end computing, shipping 1.2 million sealed loop liquid cooling units in 2020, compared with 895 thousand shipped in 2019.

/ The Company acquired JMH Gallows Pound Technologies Ltd., a UK-based developer of hardware and software technology and owners of the Ultimate-GameTech brand, for a sum of GBP 1 million (approximately \$1.4 million). As a result of this acquisition, the Company is expecting to strengthen its intellectual property and product offerings in the Gaming and Enthusiast market.

/ The Company announced new products in the Gaming and Enthusiast market:

NZXT's Kraken Z-3 and X-3 series, powered by Asetek, include a new performance-engineered pump and cold plate, advanced temperature sensing and quieter operation.

The new Rad Card™ GPU Cooler, the industry's first slot-in PCIe radiator card to provide liquid cooling for GPU's in space constrained PC cases.

Fractal Design's Celsius+ CPU coolers, powered by Asetek, provide enthusiasts enhanced performance, virtually silent operation and elegant design.

/ The Company announced collaboration with Hewlett Packard Enterprise (HPE) to deliver its premium data center liquid cooling solutions in HPE Apollo Systems targeting high performance computing and artificial intelligence applications. Commercial shipments began in the third quarter of 2020.

/ Asetek's Direct-to-Chip (D2C) liquid cooling is being utilized by Supermicro in a new high-performance computing cluster at the U.S. Lawrence Livermore National Labs. Asetek liquid cooling enables the deployment of high wattage processors in high density configurations to support compute-intensive workloads critical for science and technology research.

/ Asetek began delivering waste heat from its in-house data center to Aalborg Forsyning, the city's municipal district heating network. Asetek's RackCDU™ liquid cooling systems capture and deliver heat to the network to help warm homes and businesses in the city of Aalborg. This connection demonstrates the viability of Asetek's technology in enabling power savings and reducing CO<sub>2</sub> emissions.

// Asetek increased investments in Gaming and Enthusiast product development and marketing with several brand-behind-the-brand initiatives to feature the Asetek logo on box packaging, websites, forums, and packaging inserts. Initiatives also include written features about Asetek on partners' websites, participation in live events and live streams to communicate the commitment to performance, quality and reliability that the "Cooled by Asetek" mark represents.

// In efforts to establish EU standards that will reduce permitted energy consumption used for data center cooling, Asetek executives continue to work with political leaders to create a wider understanding of the significant environmental benefits enabled by liquid cooling.

## ASETEK AT A GLANCE

Asetek is a global leader in liquid cooling solutions for computer hardware enthusiasts, gamers, servers and data centers. Asetek's products enable increased performance and provide lower acoustic noise, power savings and improved efficiency when compared with air cooling.

The Company's server products offer direct-to-chip liquid cooling solutions to OEM providers for delivery of cost effective, high performance data center solutions. Asetek's Gaming and Enthusiast products are all-in-one coolers that provide reliable, maintenance-free liquid cooling to gaming and high-performance PC customers.

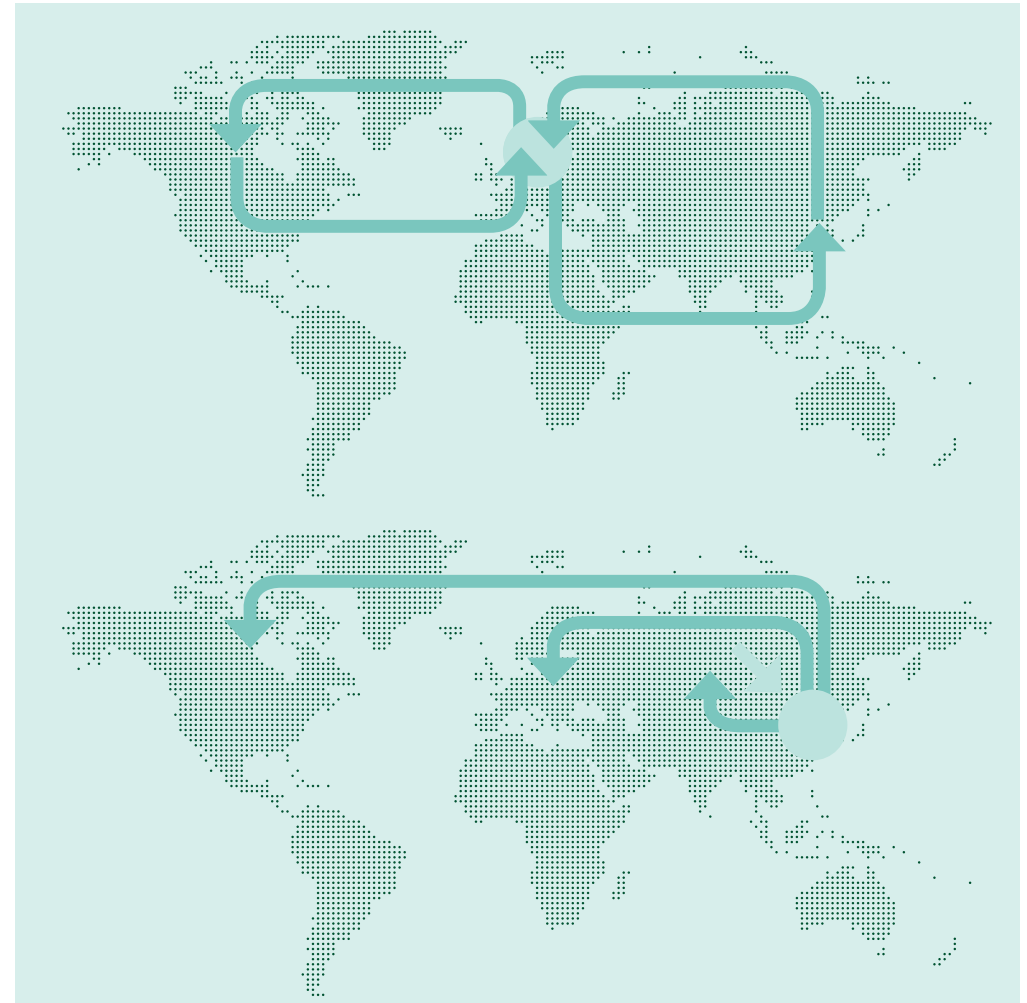
With over eight million liquid cooling units deployed, Asetek's patented technology is being adopted by a growing portfolio of OEMs and channel partners. Founded in 2000, Asetek is headquartered in Denmark and has operations in California, Texas, China and Taiwan.

Asetek's business model begins with its research and development team based in Aalborg, Denmark, which manages collaboration with the Company's global customer base to define requirements and develop cutting edge technology. The Aalborg team works with the R&D team in Xiamen, China to identify the optimal sources for the necessary components to fulfill customer requirements.

The sales and marketing team, based principally in USA, oversees the customer relationships to facilitate communication and development, ensuring the developed product meets or exceeds customer demands.

Sales and marketing teams based in Europe and Asia lead or assist efforts with the customers based outside of USA.

The flow of physical product generally commences in Asia. Asetek's manufacturing and logistics team in Xiamen, China select components and suppliers for the finished product to be assembled by the Company's principal contract manufacturer based in Xiamen. Finished products are delivered directly to customer hubs in China, with smaller quantities shipped to Europe and USA. Lower volume, highly complex products and components are manufactured in Asetek facilities in Aalborg.



## FIVE-YEAR SUMMARY

### FINANCIALS

FISCAL YEAR	2020	2019	2018	2017	2016
<b>COMPREHENSIVE INCOME (\$000'S)</b>					
Revenue	72,750	54,334	67,314	58,194	50,921
Gross profit	34,194	23,005	26,172	20,969	19,750
Operating income (loss)	10,928	1,048	4,419	2,757	4,669
Operating income before amortization, depreciation and financial items (EBITDA), unaudited	14,681	5,105	8,109	5,187	7,119
Adjusted EBITDA, unaudited	15,600	6,161	9,385	6,784	7,447
Financial items, net	(1,502)	406	451	(1,258)	322
Income before tax	9,426	1,454	4,870	1,499	4,991
Income for the year	9,195	(628)	3,672	4,475	9,637
Comprehensive income	11,587	(1,072)	3,503	5,728	9,182
<b>BALANCE SHEET (\$000'S)</b>					
Total assets	71,393	54,105	51,398	49,176	41,164
Total equity	47,525	39,008	38,958	33,394	28,290
Interest-bearing debt	4,129	4,292	1,621	1,867	788
Working capital	32,837	27,919	25,315	19,028	19,483
Invested capital	81,786	81,949	79,278	79,524	78,445
Investment in property, plant and equipment, net	7,049	6,115	4,103	3,856	1,684
Investment in intangible assets, net	3,217	1,920	2,414	2,754	1,871
<b>CASH FLOW (\$000'S)</b>					
Operating activities	11,430	8,870	3,843	6,088	7,806
Investing activities	(4,816)	(2,154)	(3,659)	(4,298)	(2,912)
Financing activities	(5,088)	(648)	455	(2,091)	175
Total cash flow	2,594	5,878	229	788	4,550

### RATIOS & METRICS

FISCAL YEAR	2020	2019	2018	2017	2016
<b>PROFIT &amp; LOSS</b>					
Gross margin	47.0%	42.3%	38.9%	36.0%	38.8%
Operating margin	15.0%	1.9%	6.6%	4.7%	9.2%
Return on invested capital (ROIC)	11.2%	-0.8%	4.6%	5.6%	12.3%
Organic growth	33.9%	-19.3%	15.7%	14.3%	41.5%
<b>BALANCE SHEET</b>					
Quick ratio	2.4	3.1	2.9	2.1	2.5
Current ratio	2.5	3.3	3.1	2.3	2.5
Days sales outstanding	116.1	88.6	79.0	79.7	92.8
Inventory turns per year	18.4	13.9	15.9	21.4	21.2
Days payable outstanding	133.6	96.2	63.2	99.5	109.7
Debt to equity	8.7%	11.0%	4.2%	5.6%	2.8%
<b>STOCK MARKET</b>					
Earnings per share, basic (USD)	0.36	(0.02)	0.14	0.18	0.39
Earnings per share, diluted (USD)	0.35	(0.02)	0.14	0.17	0.38
Shares issued (000's)	26,433	25,789	25,785	25,568	25,421
Treasury shares (000's)	931	185	245	331	502
Share price (NOK)	108.80	31.00	40.60	105.00	53.50
Share price to earnings	35.98	-	33.30	75.28	16.33
Market capitalization (\$000's)	323,054	90,205	119,083	322,972	154,661
<b>BUSINESS DRIVERS</b>					
Sealed loop units shipped (000's)	1,201	895	1,119	1,020	949
Average selling price per unit, Gaming and Enthusiast (USD)	53.9	57.9	56.3	52.2	48.2
Revenue per employee (\$000's)	661	560	709	626	645
Number of employees	110	97	95	93	79

Please refer to the Definitions of Ratios and Metrics on page 70 of this Report







*Gaming and eSports used to be something for young enthusiasts, involving snacks and cola*

# GAMING, SUSTAINABILITY AND CORONA ACCELERATE A POSITIVE MARKET TREND FOR ASETEK

We meet up with Jimmy Fussing by Zoom from his home office that – like so many others – he has had to set up this winter as the world waits for the Corona vaccination programme to be completed and take effect.

Jimmy Fussing is Managing Partner of the venture fund Heartcore Capital, formerly Sunstone Technology Ventures, which administers Vækstfonden's investment in Asetek A/S. The Danish government investment fund is one of Asetek's major institutional investors. Heartcore Capital also puts capital from institutional investors such as pension funds into start-ups. Today, Heartcore Capital is involved in 55 tech start-ups across Europe, and is the country's biggest venture fund.

These times, says Jimmy Fussing, are highly favourable to Asetek, on many significant parameters – even when it comes to Corona. "As unpleasant as the pandemic has been and still is all around in other ways, Corona has also helped to accelerate new consumer patterns that are making Asetek's market position stronger and stronger – and that is hardly going to roll back when the pandemic is over," says Jimmy Fussing. As an example, he mentions that the extent of the world's online retail trade has more than doubled during the pandemic of the last 10-11 months – a trend that has seen the penetration rate grow

more strongly in that short period than in the whole of the preceding 7 years. A much bigger e-commerce sector requires more and more cloud solutions.

Vækstfonden invested in Asetek all the way back in 2004, when it was a talented little start-up, and has since sold half of its shares, doing so immediately after the company went public in 2013. But they are still involved, with a stake of around 6% of Asetek at the time of print.

## MATURE COMPANY WITH GREAT POTENTIAL

"Gaming and eSports used to be something for young enthusiasts, involving snacks and cola. Now, anyone can see that many, many more people – including those from the parents' generation – are getting into it. They follow their favourite team, they play along and start to worship the best players on a par with famous sporting idols in the physical world. The new heroes are eSport stars, and a whole generation of young people looks up to them. They are role models, and becoming like them requires investment in more powerful computers. It demands just the right technical equipment, and that's where Asetek comes into the picture," explains Jimmy Fussing. He points out that about 2 billion people follow eSport

today, and there's no reason to think the trend won't continue.

"When we also consider another general social trend toward sustainability and energy saving, Asetek has just the right technology and product platform," says Jimmy Fussing. He is also convinced that, for the first time in many years, we are going to see a period of real growth in demand for electricity, something he believes is highly favourable for Asetek's other line of business, on-processor liquid cooling for data centers, which – among other things – makes it possible to reuse up to 80% of inbound power.

"In our view, André Eriksen, the founder and CEO of Asetek, is a gifted, determined and visionary entrepreneur who, together with the rest of the team, has succeeded in growing and maturing Asetek into a major, established, internationally-focused company," says Jimmy Fussing. "We believe the company has a potential that is about to be fulfilled in earnest, so that in theory it could evolve into a new Danfoss," referring to the world-famous Danish energy technology manufacturer, where Asetek's founder first learned the ropes as a newly trained engineer and toolmaker, before he founded Asetek on the idea that computers and processors should be water-cooled.

"A few years ago, we saw the company's share price rising steeply, but at that time it was perhaps mainly due to a fever of expectation. Today, we can sense – in the latest accounts, for example – that Asetek is meeting those expectations. Both of Asetek's existing business areas – gaming and solutions for data centers – are moving in the right direction," adds Jimmy Fussing. "At the same time, these are truly sustainable products that can make a significant difference to society."





*Jimmy Fussing is Managing Partner of the venture fund Heartcore Capital, formerly Sunstone Technology Ventures, which administers Vækstfonden's investment in Asetek A/S. Jimmy Fussing believes the times are highly favourable to Asetek on the great majority of significant parameters - even when it comes to Corona.*



## PERFORMANCE IN 2020

### PROFIT AND LOSS

Total revenue for 2020 was \$72.8 million, representing growth of 34% from 2019 (\$54.3 million). Sealed loop cooling unit shipments for 2020 totalled 1.2 million, a 34% increase over 2019 (895 thousand). Average Selling Prices (ASP) for the year 2020 decreased to \$53.91 from \$57.88 in 2019. Gross margin increased to 47.0% in 2020 from 42.3% in 2019. The above fluctuations reflect increased demand in the Gaming and Enthusiast market and Asetek's business model transition. Shipments under the new model have lower ASPs as Asetek moves to delivering only the principal core technology with improved margins, while the customer adds their unique features with ancillary components.

In 2020, total operating expense was \$23.3 million, a 6.0% increase from 2019 (\$22.0 million), reflecting investment in the Company's infrastructure. During 2020, Asetek increased staffing by 35% to support revenue growth.

Legal cost incurred associated with defense of existing IP and securing new IP was \$2.4 million in 2020 (\$2.7 million). Fiscal year 2019 operating expense included an offset of \$0.8 million for settlements awarded to Asetek in patent infringement lawsuits.

Share-based compensation cost associated with warrants and options issued to employees was \$0.9 million in 2020 (\$1.1 million).

The average exchange rate of USD to DKK during 2020 was 3% lower than the average rate in 2019. Approximately 77% of the Company's operating expense in 2020 was denominated in DKK (78% in 2019), resulting in an unfavorable impact to operating expense in 2020 when compared with 2019.

Adjusted EBITDA was \$15.6 million in 2020, compared with \$6.2 million in 2019. Adjusted EBITDA in 2020 represents operating income of \$10.9 million, plus depreciation of \$3.8 million, plus share-based compensation of \$0.9 million.

Foreign currency transactions in 2020 resulted in a \$1.4 million loss (\$0.2 million gain in 2019).

Income tax expense of \$0.2 million in 2020 decreased from 2019 (\$2.1 million) due to increased utilization of deferred tax assets during the year.

Asetek's total comprehensive income was \$11.6 million for 2020, compared with total comprehensive loss of \$1.1 million in 2019. Comprehensive income included a positive \$2.4 million translation adjustment in 2020 (negative \$0.4 million in 2019).

### BALANCE SHEET

Asetek's total assets at December 31, 2020 were \$71.4 million, compared with \$54.1 million at the end of 2019. The principal components of this change include: trade receivables increased by \$10.0 million as a result of a 78% increase in fourth quarter 2020 revenue compared with the same period of prior year; cash and cash equivalents increased by \$2.6 million due to net income growth partly offset by share repurchases; intangibles increased by \$1.3 million from a business acquisition during the year. In November 2020, the Company acquired JMH Gallows Pound Technologies Ltd., a UK-based developer of hardware and software technology and owners of the UltimateGameTech brand, for a sum of GBP 1 million (approximately \$1.4 million).

Total liabilities increased by \$8.8 million in 2020, resulting principally from growth in operating volumes and related incentive compensation for employees. Trade payables, accrued compensation and employee benefits, and accrued liabilities increased by \$5.9 million and \$1.7 million, and \$1.4 million respectively.

The increase in trade payables is also partly the result of the Company's proactive management of suppliers and timing of payments.

### STATEMENT OF CASH FLOWS

Net cash provided by operating activities was \$11.4 million in 2020 (\$8.9 million provided in 2019). The increase from 2019 was principally due to increased net income in 2020, partly offset by growth in receivables and inventory associated with higher operating volumes.

Cash used by investing activities was \$4.8 million, related to additions to intangible assets and purchase of property and equipment. The increase from prior year is principally due to the previously mentioned \$1.4 million business acquisition and purchase of equipment for data center manufacturing (\$1.8 million used in 2019).

Cash used by financing activities was \$5.1 million in 2020, including \$6.4 million for the repurchase of Asetek's common shares and \$0.8 million for payments on capitalized leases. The Company also paid down its line of credit by \$0.3 million. These effects were partly offset by \$2.4 million received for shares issued on options exercised by employees (\$0.6 million used in 2019).

Net increase in cash and cash equivalents was \$2.6 million in 2020, compared with increase of \$5.9 million in 2019.

**LIQUIDITY AND FINANCING**

As of December 31, 2020, the Company has working capital of \$32.8 million and non-current liabilities of \$2.6 million. Since 2016, the Company has generated positive cash flows and operating income. From 2013 to 2016, Asetek financed operations principally through offerings of common shares on the Oslo Stock Exchange.

While there is no assurance that the Company will generate sufficient revenue or operating profits in the future, Asetek's management estimate that the Company's capital resources are sufficient to fund operating activities in the foreseeable future, based on financial forecasts. To the extent necessary to fund expansion or other liquidity needs, management will consider offerings of debt, equity, or a combination thereof, depending on the cost of capital and the status of financial markets at that time.

**EXPECTATIONS FOR 2021****GAMING AND ENTHUSIAST:**

In 2020, favorable effects of COVID-19 shelter-in-place restrictions which resulted in strong demand in PC gaming and eSports drove Asetek's Gaming and Enthusiast revenue to record levels. In 2021, Asetek expects to continue to invest in and launch innovative new high-performance products for gamers and enthusiasts. With two recently announced acquisitions – JMH Gallows Pound Technologies Ltd. and Granite Devices Inc., both developers of gaming hardware and software technology – the Company plans to capitalize on opportunities identified within the Asetek eSports Academy. Consistent with prior years, Asetek plans to continue to focus its resources on the Gaming and Enthusiast segment, growing market share through existing and new OEMs, and building the Asetek brand.

**DATA CENTER:**

During 2020 the Company expanded its OEM partners with the additions of HPE and Supermicro, which resulted in the addition of nearly 20 new liquid cooled offerings to its data center line of products. Including Fujitsu, Asetek's long-standing OEM, the Company anticipates growth in shipments of RackCDU™ liquid cooling in 2021.

Asetek's Direct-to-chip liquid cooling enables power savings and CO2 emission reductions from the reuse of data center waste heat. Significant long-term revenue growth is expected, though public standards are needed to trigger wider data center adoption of liquid cooling. Asetek continues to participate in targeted campaigns to influence and educate politicians and support wider understanding of the significant environmental and circular economy benefits enabled by liquid cooling.

**CONSOLIDATED RESULTS:**

The Company's consolidated results for 2020 exceeded Management's expectations communicated in the prior year report due to favorable effects of COVID-19 shelter-in-place restrictions, which resulted in strong demand for the Company's Gaming and Enthusiast products. For 2021, the Company expects revenue to increase by 10% to 20% from 2020, with gross margins lower than 2020. As such, management expects the Company to report operating income of between \$9 and \$15 million in 2021. However, Management notes significant challenges in predicting future earnings due to variations in import tariffs and foreign exchange rates. The Company recognizes continued uncertainty related to potential impact from COVID-19 over time. These uncertainties can impact actual performance and expectations.



*We can speculate about the reason for the growth and whether it's due to Corona alone or whether it's a natural "comeback" from a relatively weak 2019*

## CORONA OR NOT: 25% GROWTH IN G&E SEGMENT



LIQUID COOLING **DONE RIGHT**

### THE PANDEMIC HAS PROVEN TO BE BOTH A CHALLENGE AND A DRIVER FOR ASETEK IN DENMARK, THE USA, CHINA AND OTHER COUNTRIES

As soon as you enter the headquarters in Aalborg you are met with bottle of hand sanitizer and a temperature scanner that can show if you have a fever.

At Asetek, the challenge of Corona and the risk of spreading infection have of course been taken very seriously over the last many months. Besides a personal encouragement to get tested regularly, the dedicated staff have also been offered antibody tests at the company. And a few who became infected were immediately sent home to isolate and get treatment.

Asetek CFO Peter Dam Madsen says that the pandemic has had a big impact on the in-house routines:

"To begin with, our China department in Xiamen – only 600 miles from Wuhan – was "down" for some weeks. And, before we knew it, the problems had spread to the rest of the world. Fortunately, our supply chain and production systems coped without major problems thanks to a peerless effort from our staff, manufacturing partners and subcontractors." Peter Dam Madsen recounts how people in both the Danish and US branches have been working from home and showing great pioneering spirit.

"Fortunately, as an international player in a fast-paced and quickly-evolving sector, we were well trained in working from home and at varying times of day. We therefore haven't seen our development momentum slow down. We implemented the necessary measures around physical distancing and infection containment and were therefore able to maintain our manufacturing in Denmark, for example."

As for sales, Asetek has seen its G&E (Gaming & PC Enthusiast) segment grow by 25% from 2019 to 2020.

"We can't help but be very satisfied with that, of course. But we were concerned in April 2020 when we watched a world-wide crisis unfold, without being sure of the long-term consequences", explains Peter Dam Madsen, adding:

"We can speculate about the reason for the growth and whether it's due to Corona alone or whether it's a natural "comeback" from a relatively weak 2019. Our feeling is that it is a combination. We also began selling a relatively large number of exciting new products in 2020, and they have been very well received. Looking at it over a 10-year period, growth has also been a very nice 15% per year on average."





*Corona has been and still is a challenge that Asetek has had to deal with, says CFO Peter Dam Madsen. Here, he makes sure one of Asetek's employees checks her temperature.*





## CORPORATE GOVERNANCE

Asetek's management model and organization are adapted continuously to ensure the Company is equipped to manage all obligations to shareholders, customers, employees, authorities and other stakeholders to the utmost. In this process, Asetek uses the corporate governance recommendations from NASDAQ Copenhagen as an important source of inspiration. The recommendations can be found at <http://www.nasdaqomx.com/listing/europe/surveillance/copenhagen/corporategovernance>

The Board of Directors is fundamentally in full agreement with Danish Committee on Corporate Governance recommendations for good company governance. Asetek endeavors to follow the relevant recommendations for the Company, which support the business and ensure value for the Company's stakeholders. The statutory report on Corporate Governance, cf. section 107b of the Danish Financial Statements Act, is available on the Company's website: <http://www.asetek.com/media/2681/scgs2020.pdf>

Danish Recommendation for Corporate Governance		
	2020	2019
Complies with recommendations	45	44
Partially complies with recommendations	1	1
Does not comply with recommendations	1	2

### Dialogue between the Company and its shareholders.

The communication between Asetek and shareholders primarily takes place at the Company's Annual General Meeting and via company announcements. Asetek shareholders are encouraged to subscribe to the e-mail service to receive company announcements, interim management statements, interim reports and annual reports as well as other news via e-mail.

**The general meeting.** The General Meeting has the final authority over the Company. The Board of Directors emphasize that shareholders are given detailed information and an adequate basis for the decisions to be made by the General Meeting.

The General Meeting elects the Board of Directors, which currently consists of five members. The board members are elected for one year at a time with the option for re-election.

**Amendment of Articles of Association.** Unless otherwise required by the Danish Companies Act, resolutions to amend the Articles of Association must be approved by at least 2/3 of the votes cast as well as at least 2/3 of the voting share capital represented at the General Meeting.

**Board responsibilities.** The Board of Directors' main tasks include participating in developing and adopting the Company's strategy, performing the relevant control functions and serving as an advisory body for the executive management. The Board reviews and adopts the Company's plans and budgets. Items of major strategic or financial importance for the Company are items processed by the Board. The Board is responsible for hiring

the CEO and defining his or her work instructions as well as setting of his or her compensation. The Board periodically reviews the Company's policies and procedures to ensure that the Group is managed in accordance with good corporate governance principles, upholding high ethics.

**Financial reporting.** The Board of Directors receives regular financial reports on the Company's business and financial status.

**Notification of meetings and discussion of items.** The Board schedules regular meetings each year. Ordinarily, the Board meets eight to ten times a year, of which four are quarterly update teleconferences. The meetings are typically conducted at either the facility in Aalborg, Denmark or in San Jose, California or via telephone. Additional meetings may be convened on an ad hoc basis.

Board of Directors meetings:

Meetings held during the year	8
<b>Participation:</b>	
Jukka Pertola (chair)	100%
Chris Christopher	100%
Jørgen Smidt	100%
Maria Hjorth	88%
Erik Damsgaard	100%

All Board members receive regular information about the Company's operational and financial progress in advance of the scheduled Board meetings.

The Board members also regularly receive operations reports and participate in strategy reviews. The Company's business plan, strategy and risks are regularly reviewed and evaluated by the Board. The Board Members are free to consult the Company's senior executives as needed. Ordinarily, the Chairman of the Board proposes the agenda for each Board meeting. Besides the Board Members, Board meetings are attended by the Executive Board. Other participants are summoned as needed. The Board approves decisions of particular importance to the Company including the strategies and strategic plans, the approval of significant investments, and the approval of business acquisitions and disposals.

**Conflicts of interest.** In a situation involving a member of the Board personally, this member will exclude him or herself from the discussions and voting on the issue.

**Use of Committees.** Currently, the Company has a Nomination Committee, an Audit Committee and a Compensation Committee.

// The Nomination Committee is elected directly by the General Meeting. The Committee consists of three members and must be independent from the Board of Directors and the management, however, it is recommended that the chairman of the Board of Directors is a member. The tasks include proposing candidates for the Board of Directors, propose remuneration for the Board of Directors as well as perform the annual assessment of the Board of Directors. Members: Ib Sønderby (chairman), Claus Berner Møller and Jukka Pertola.

Nomination Committee meetings:

Meetings held during the year	3
<b>Participation:</b>	
Ib Sønderby (chair)	100%
Claus Berner Møller	100%
Jukka Pertola	100%

// The Audit Committee is elected among the members of the Board of Directors and has responsibilities related to financial reporting, the independent auditor, internal reporting and risk management, including cybersecurity risks. The Committee consists of at least two shareholder elected Board members. Members: Maria Hjorth (chairman), Chris Christopher, Erik Damsgaard.

Audit Committee meetings:

Meetings held during the year	4
<b>Participation:</b>	
Maria Hjorth (chair)	100%
Chris Christopher	100%
Erik Damsgaard	100%

// The Compensation Committee has responsibilities related to developing proposals for the applicable remuneration policy and remuneration of the Management Board. Members: Jukka Pertola (chairman), Chris Christopher and Jørgen Smidt.

Compensation Committee meetings:

Meetings held during the year	4
<b>Participation:</b>	
Jukka Pertola (chair)	100%
Chris Christopher	100%
Jørgen Smidt	100%

**The Board's self-evaluation.** The Board's composition, competencies, working methods and interaction are discussed on an ongoing basis and evaluated formally on an annual basis. In this connection, the Board also evaluates its efforts in terms of corporate governance.

The composition of the Board is considered appropriate in terms of professional experience and relevant special competences to perform the tasks of the Board of Directors. The Board of Directors continuously assesses whether the competencies and expertise of members need to be updated.

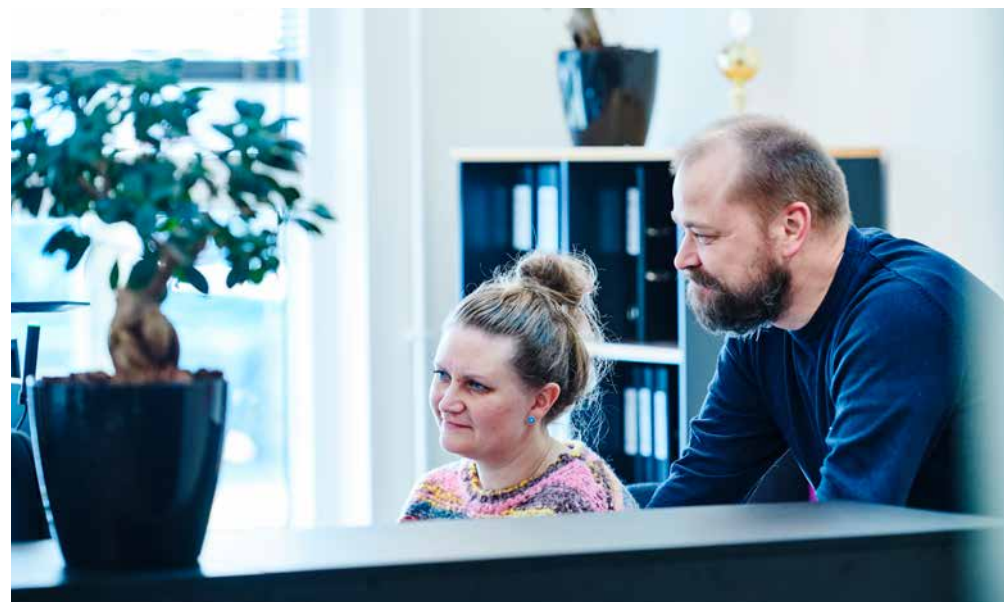
ed. All of the members elected by the 2020 General Meeting are independent persons, and none of the Board members participates in the day-to-day operation of the Company. Additional information about the Board members, including other management positions held, can be found in Note 25.

**Risk management.** Refer to the Risk Management section of the Management Report as well as Note 3 of the consolidated financial statements.

## REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

For 2020, the Company will publish its executive remuneration principles and practices in a separate report issued in compliance with the Danish Companies Act, section 139b. The report will be issued together with the notice of the annual general meeting.

The 2020 Remuneration Report will be available on the Company's website: <https://ir.asetek.com/share-information/general-meetings>





**BOARD OF DIRECTORS SHARE AUTHORIZATION**

Meeting Date	Meeting Type	Action	Shares	Nominal Value	Price
April 23, 2014	Board	Board issues warrants to employees and Board members	118.210	DKK 0.10/share	NOK 40.10
August 12, 2014	Board	Board issues warrants to employees and Board members	32.970	DKK 0.10/share	NOK 33.90
August 11, 2015	Board	Board issues warrants to employees and Board members	700.000	DKK 0.10/share	NOK 10.50
April 29, 2016	Board	Board issues warrants to employees and Board members	600.000	DKK 0.10/share	NOK 19.50
April 25, 2017	Board	Board issues warrants to employees and Board members	509.687	DKK 0.10/share	NOK 76.25
July 7, 2017	Board	Board issues warrants to employees	106.999	DKK 0.10/share	NOK 113.00
April 25, 2018	General	Board authorized to acquire the Company's own shares	-	-	-
October 31, 2018	Board	Board introduces employee stock option program to replace warrant program and issues options to employees	378.500	DKK 0.10/share	NOK 46.30
April 10, 2019	General	Board authorized to acquire the Company's own shares	-	-	-
September 8, 2019	Board	Board issues options to employees	494.900	DKK 0.10/share	NOK 24.70
April 23, 2020	Board	Board issues options to employees	320.300	DKK 0.10/share	NOK 38.33
April 22, 2020	General	Board authorized to acquire the Company's own shares	-	-	-

## RISK MANAGEMENT

Asetek's potential to realize the Company's strategic and operational objectives are subject to a number of commercial and financial risks. Asetek is continuously working on identifying risks that can negatively impact the Company's future growth, activities, financial position and results as well as CSR-related risks. Asetek conducts its business with significant focus on continuous risk monitoring and management. The overall goal of risk management is to ensure that the Company is run with a level of risk, which is in a sensible ratio to the activity level, the nature of the business, and the Company's expected earnings and equity. To the largest extent possible, Asetek tries to accommodate and limit the risks which the Company can affect through its own actions.

**Insurance.** It is the Company's policy to mitigate significant risk areas with commercially available insurance products. This currently includes insurance for product liability, operating material and inventory as well as compulsory coverage, which varies from country to country. Management assessments indicate that the necessary and relevant precautions have been taken to thoroughly cover insurance issues. Asetek's insurance policies and overall coverage approach are reviewed at least annually.

Below, some of the risk factors management considers as being of special importance to the Group are described in no specific order.

**CSR-related risks.** Please see the separate Asetek Sustainability Report 2020 for identified risks and remedies.

**COVID-19 pandemic.** In December 2019, a novel strain of coronavirus (SARS-CoV-2) causing the COVID-19 disease surfaced in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic. The U.S., Denmark and other countries have enacted temporary closures of businesses, issued quarantine orders and taken other restrictive measures. The Company's operating sites are complying with regulations and recommendations imposed by local governments for minimizing the virus' spread. If production must be stopped or a critical number of employees become too ill to work, business operations could be adversely affected. If suppliers experience closures or reductions in capacity utilization, Asetek may have difficulty sourcing materials needed to fulfill production requirements. If customers experience adverse business consequences, demand for Asetek's products could decline. The impact of the COVID-19 pandemic is fluid; after appearing to ease in the middle of 2020, its spread worsened in the fourth quarter. As a result, management cannot predict the extent to which Asetek's future results of operations or financial condition will ultimately be impacted.

**Business combinations.** In November 2020, The Company acquired JMH Gallows Pound Technologies Ltd., a UK-based developer of hardware and software technology and owners of the UltimateGameTech brand. In January 2021, Asetek announced the acquisition of intellectual property from Granite Devices Inc. These acquisitions are expected to support the continuing development of the Company's Gaming and Enthusiast product offerings. To date, Asetek has principally developed its products internally. Acquiring technology externally represents a new avenue for the

Company. The newly acquired assets may be challenging to develop into successful products and integrate into the Company's core lines of business.

**Customer concentration.** In 2020, two customers accounted for 41% and 14% of total revenue. In the event of a decline or loss of either of these customers, replacement of the revenue stream would be difficult for Asetek to achieve in the short term. The Company is actively working with its other Enthusiast/DIY customers to grow their respective market shares and order volumes.

**Competition.** The markets in which the Company operates are competitive, the technological development is rapid, and the Company may in the future also be exposed to increased competition from current market players or new entrants.

**Credit risk.** Credit risk is the risk of a counterpart neglecting to fulfill its contractual obligations and in so doing imposing a loss on Asetek. The Group's credit risk originates mainly from receivables from the sale of products as well as deposits in financial institutions. Receivables from the sale of products are split between many customers and geographic areas. Two customers represented 47% and 17% of trade receivables at December 31, 2020. A systematic credit evaluation of all customers is conducted, and the rating forms the basis for the payment terms offered to the individual customer. Credit risk is monitored centrally.

**Intellectual property defense.** Asetek has filed and defended lawsuits against competitors for patent infringement. While some of the cases have been settled or dismissed, some may continue, and new cases may be

initiated. Such cases may proceed for an extended period and could potentially lead to an unfavorable outcome to Asetek. Asetek has historically incurred significant legal costs associated with litigation and may continue to do so in the future to the extent management believes it is necessary to protect intellectual property.

**Manufacturing supply.** Asetek relies upon suppliers and partners to supply products and services at competitive prices. Asetek's Gaming and Enthusiast products have been historically assembled in Xiamen, China by a single contract manufacturer which may be difficult to substitute in the short term if the need should arise. Suppliers are proactively managed by the Company's operations teams based in Xiamen and Aalborg.

**U.S. import tariffs.** The U.S. has imposed a 25% tariff on imports of goods manufactured in China, which include Asetek products. The existence of the tariff has contributed to the uncertainties in the Gaming & Enthusiast market. The Company continues to work to minimize the impact of the tariff on Asetek and its customers.

**Foreign exchange rates.** Substantially all of Asetek's revenue is billed in USD. However, many customers resell Asetek products to end users in countries where USD is not the transactional currency. As a result, there is a risk that fluctuations in currency will affect the cost of product to the end user and negatively impact market demand for Asetek products. Asetek estimates that about one third of its sold products ultimately are delivered in Europe or Japan, which are the two geographical areas which could have the largest potential impact due to USD fluctua-

tion. Asetek believes that other factors in the end users' buying decision play a larger role than price fluctuation on the liquid cooling component. During 2020, the USD weakened against both the DKK and EUR by 9%, and weakened 5% against the Japanese yen.

Asetek's raw materials are predominantly purchased with USD, from vendors whose underlying currency is CNY. The USD value versus the CNY fluctuated during 2020, appreciating mid-year, while ending the year down by approximately 6%. Asetek recognizes that USD appreciation can result in sales price pressure for its suppliers. Historically, the Company has not seen significant reaction from its markets. In addition, Asetek believes that competing products are prone to the same exchange rate scenarios as Asetek.

A significant portion of Asetek's overhead costs are incurred in DKK. As a result, fluctuations in USD vs. DKK will continue to have an influence on results of operations and financial position. The Group has not entered into any forward exchange instruments.

**Research and development, product innovation, market development.** The Company's future success, including the opportunities to ensure growth, depends on the ability to continue developing new solutions and products adapted to the latest technology and the clients' needs as well as improving existing solutions and market position. As such, the Company develops new releases on a regular basis, with emphasis on higher performance,

improved efficiency and noise-reduction. Providing new and innovative applications for Asetek's cooling technology is also a focus, as evidenced by the cooling products released during 2020.

**Projects and contracts.** It is important to Asetek's overall success that development projects are executed at high quality and at predetermined timeframes and cost prices. Risks are attached to the sale, analysis and design, development and initial manufacturing phases. Asetek has carefully defined the individual phases and the activities contained therein, with a view to active risk management and efficient implementation. Through project reviews and ongoing analyses before, during, and after initiation, Asetek works to ensure that agreements are adhered to and that revenue and margins are as planned.

**IT security.** Asetek continuously implements measures to monitor and respond to data breaches and cyberattacks. Management ensures that security assessments, including vulnerability assessments and assumed breach tests are performed on a regular basis. Additional security measures to mitigate phishing and spam mails are delivered to employees and password policies are maintained to mitigate the risk of password dictionary attacks or other forms of brute force hacking of individuals. The Company maintains ongoing efforts to continuously improve and strengthen the IT Infrastructure security. Mandatory training in cybersecurity is carried out for all employees, and the knowledge level of cybersecurity is thus being changed from awareness-based to training- and compliance-based. Asetek has not experienced any security breaches within the most recent 5 years. The Company

has entered into an information security risk insurance policy. This area is actively monitored by the Board of Directors' Audit Committee.

**Taxation.** The tax situation of the Company is complex. In connection with its initial public offering in 2013, Asetek moved its Parent company from the U.S. to Denmark. However, USA – in a unilateral tax treaty override – still considers Asetek A/S a U.S. tax subject, effectively creating a double taxation situation. Asetek has approached both countries' tax authorities with the aim of resolving the double tax situation as per the double taxation treaty. However, a determination may take several years, and the authorities are not obligated to resolve the problem. The Company has made progress in 2020 in working with the tax authorities of Denmark and U.S. to possibly resolve this issue.

In June 2019, the U.S. released regulation for its Global Intangible Low-Taxed Income (GILTI) inclusion for U.S. taxation, effective beginning with tax year 2018. The GILTI regulation requires U.S. companies to report foreign corporation intangible income that exceeds 10% return on foreign invested assets. Under prior law, U.S. owners of foreign corporations were able to defer recognizing taxable income until there was a distribution of earnings back to U.S. owners. The impact of the GILTI regulation caused incremental utilization of the Company's available deferred tax assets of approximately \$0.4 million in 2020 and \$1.1 million in 2019 and 2018 combined. Because of Asetek's U.S. tax status as described above, management believes that the impact of the GILTI regulation as it applies to the Company could be reformed in the future;

however, such reform is not certain. The Company continues to work with its tax advisors to clarify and address these matters.

**Employee relations.** Asetek is a knowledge-intensive Company and in order to continuously offer optimal solutions, develop innovative products, and ensure satisfactory financial results, it is necessary to attract, develop and retain the right employees. Asetek has the goal of being an attractive workplace and achieves this through various programs including an option incentive program, attractive working conditions, and corporate social responsibility (CSR) policies described in the Asetek Sustainability Report 2020. The Company seeks to support a Company culture founded on individual responsibility and performance as well as team accomplishment.

## CORPORATE SOCIAL RESPONSIBILITY

Asetek seeks to be a good corporate citizen in everything that it does, and therefore has combined its operating principles into one framework policy. Please refer to the Asetek Sustainability Report 2020, available here: <https://www.asetek.com/media/2755/asetek-sustainability-report-2020.pdf>

Pursuant to section 107d of the Danish Financial Statements Act, the Company must report on its diversity policy. Asetek's diversity policy is available here: <https://ir.asetek.com/media/2756/diversity-policy-2021.pdf>

This statement of Asetek's diversity policy is a component of the Management's Report in the Annual Report for 2020 and covers the financial period 1 January - 31 December 2020:

Asetek believes that diversity among employees and management, including an even distribution of age, nationality and educational background, contributes positively to the work environment and strengthens the company's competitiveness and performance.

Historically, Asetek has been a diverse workplace, where employees have very different backgrounds, competencies and living conditions. Not only in relation to gender, age and origin, but equally in relation to education, experience and personality. It is therefore Asetek's goal that the management should equally reflect the diversity among our employees. In order to promote diversity among the company's management and board of directors, there is a focus on this in recruiting new managers. In 2020, Asetek has therefore sought to ensure broad diversity among applicants when recruiting and promoting.

The board members of Asetek cover a wide range of experiences from both the Danish and international business community and the high-tech industry. This composition is considered appropriate, as it ensures a breadth in the members' approach to the tasks, and thus helps to ensure qualified considerations and decisions. At the end of the financial year, 30% of the Executive Board and Board of Directors are of a nationality other than Danish. In terms of age composition, 0% of management is under 40 years old, 57% are between 40 and 60 years old, and 43% of management is over 60.

## SHAREHOLDER INFORMATION

Asetek's shares are listed on Oslo Børs. As of December 31, 2020, a total of 26,432,957 shares are issued, each with a nominal value of DKK 0.1.

The share is classified in the "Information Technology" sector by the stock exchange, and the ticker mark is ASTK (the previous ticker mark was 'ASETEK' until December 2020).

The total market capitalization value at the end of 2020 was NOK 2,770 million (approximately USD 322 million) which was an increase of 258% from the market value at the beginning of 2020. Asetek is thus classified as a MidCap company on Oslo Børs.

931,281 shares were held by the Company on December 31, 2020 as treasury shares, primarily to support an employee stock option program.

Each share provides one vote. The shares are marketable securities and no restrictions have been set for the shares' negotiability. The share register is maintained by DNB Bank ASA - Verdipapirservice, Postboks 1600 Sentrum, 0021 Oslo, Norway.

## OWNERSHIP

At the end of 2020, Asetek A/S had 871 shareholders, some of whom are nominee accounts covering several individual investors. Members of Asetek A/S's Board of Directors and Executive Board owned or represented a total of 8.2% of the share capital at the end of 2020.

### 1 JANUARY 2020

Asetek shares opened the year 2020 at NOK 30.40.

### 31 DECEMBER 2020

At the last trading day of the year, Asetek shares closed at NOK 108.80, which was an increase of 258% from the beginning of the year. The Oslo Stock Exchange (OSE) Benchmark Index increased 3% in 2020. The OSE Information Technology Index increased by approximately 60% in 2020.

According to Asetek's registrations, the following shareholders possessed 5% or above of the share capital as per December 31, 2020:

Shareholder	Number of Shares	%
Skandinaviska Enskilda Banken AB	2,880,905	10.9%
The ATP Group	2,722,415	10.3%
HSBC Trinkaus & Burkhardt AG	2,444,560	9.3%
Sunstone Technology Ventures Fund	1,586,341	6.0%

## INVESTOR RELATIONS

Asetek aims to provide a consistent, high level of information to its shareholders and other interested parties.

It is Asetek's intention to conduct an active dialogue with shareholders, analysts, the press and the public as a whole. Communication with interested parties takes place via the ongoing publication of notifications, investor presentations and individual meetings.

The website [www.asetek.com](http://www.asetek.com) is the primary source of information for interested parties. It is updated regularly with information about Asetek's activities and strategy. Shareholders, analysts, investors, stockbrokers as well as other interested parties who have questions regarding Asetek are requested to inquire via the email address [investor.relations@asetek.com](mailto:investor.relations@asetek.com), which is monitored by the CFO.

**Dividends.** Asetek continues to invest its capital in the development and marketing of its cooling products. Asetek's policy allows for distribution of a dividend to its shareholders of up to 50% of the previous year's net income (after tax profits), after taking into consideration the Company's growth plans, liquidity requirements and necessary financial flexibility.

### REPORTING CALENDAR FOR 2021:

Annual General Meeting:	April 22, 2021
Q1 2021 Report:	April 22, 2021
Q2 2021 Report:	August 12, 2021
Q3 2021 Report:	October 28, 2021
2021 Annual Report:	March 4, 2022







*In 2020, a number of important milestones were achieved on the way toward EU regulations matching Asetek's potential*

# ASETEK LIQUID COOLING WILL MAKE SUBSTANTIAL CONTRIBUTION TO EU'S GREEN DEAL

**2020 WAS A YEAR WHEN ASETEK'S GOAL OF MEANINGFUL CLIMATE REGULATION FOR EUROPE MOVED CLOSER, SAYS ASETEK'S EU PUBLIC AFFAIRS ADVISOR. FOR EXAMPLE, ASETEK CONTRIBUTED TO A HOLISTIC DATA CENTER EFFICIENCY ANALYSIS CARRIED OUT BY THE INFLUENTIAL GERMAN ENVIRONMENT AGENCY BY DELIVERING REAL-WORLD DATA FROM OUR TEST INSTALLATION THROUGHOUT THE YEAR.**

DAs the world's leading manufacturer of on-processor liquid cooling for data centers and other purposes, in recent years Asetek has also – in a move unusual for the company – been taking political action to draw attention to the huge climate policy gains the world can make if hyperscale data centers, for example, use its technology in the future.

This political investment that Asetek has chosen to make is primarily focusing on EU regulation and legislation. With its Green Deal, which is about to be fleshed out in the near future, the EU is widely expected to begin setting strict environmental standards for member states that will pave the way to make the European Union climate neutral by 2050. Recently, more and more European politicians and officials have been waking up to the enormous potential of the greening of data centers as shown in the documentation supplied by Asetek.

LIQUID COOLING **DONE RIGHT**

"Although, as a company, Asetek is dwarfed in comparison with other stakeholders, we actually garner lot of interest and understanding that results in positive reports. In 2020, the Green Deal really made the reuse of waste heat in data centers a focus of the EU's circular economy strategy toward carbon neutrality," says Jan Gütter, Asetek's Public Affairs advisor, referring to both the EU and key member state stakeholders like the German Environment Agency, the UBA (Umweltbundesamt).

In this respect, he describes 2020 as a year when Asetek's viewpoint made significant advances in Europe. In a nutshell, the idea is that the EU will make it a requirement for data center operators to design their facilities and choose their technology so that optimum use is made of the surplus heat they generate. Asetek's technology offers circular reuse of up to 80% of inbound power in the form of 60°C hot water without the need for artificial heating by additional power-hungry and costly heat pumps. A solution that is readily and widely available and has been proven successful by Asetek, which connected its own test data center to the district heating network in its home city of Aalborg in early 2020.

During the year, internationally recognised climate thinktank Concito, headed by former EU commissioner Connie Hedegaard, also produced a memo that strongly

supports Asetek's direct-to-chip Liquid Cooling technology as "best practice" – a memo that attracted attention in Brussels.

## IMPORTANT MILESTONES ACHIEVED

As Asetek has stated before, the potential is huge. If "dirty" power is used, the carbon footprint of the World's data centers is bigger than that of worldwide road traffic, and on par with that of worldwide air traffic. Though the goal is to produce the power needed for all data centers by green methods, even efficient use of only the EU data centers' residual heat as offered by Asetek would add enough district heating for 11 European capitals, with London, Paris and Berlin top of the list, to be heated carbon-neutrally. This could save significant capital investment, scarce resources, plus the energy required to build an army of wind turbines, solar heating systems etc. that would otherwise have to meet this need.

"In 2020, a number of important milestones were achieved on the way toward EU regulations matching Asetek's potential," adds Jan Gütter confidently, and he points to the publication of the EU's Circular Economy Action Plan<sup>1</sup>, the Commission's Communication on "Powering a Climate-Neutral Economy: An EU Strategy

for Energy System Integration" and the JRC Report on the "Development of the EU Green Public Procurement (GPP) Criteria for Data Centers, Server Rooms and Cloud Services."

"These publications", he underlines, "call specifically for action to implement measures on the reuse of residual heat from data centers. Similarly, the EU commission has also initiated a hearing and subsequent review of the Energy Efficiency Directive (EED), which is expected to be adopted in 2021".

Jan Gütter also emphasises that, in the second half of 2020, the German EU presidency delivered a strong foundation for its future adoption, with a digital agenda on the environment containing several of Asetek's proposed measures to improve the efficiency of data centers by utilising waste heat.



*Asetek's Public Affairs Consultant in Brussels, Jan Gütter, believes the EU Commission is moving in a meaningful direction for Asetek when it comes to future climate requirements for data centres. Gütter (right) is pictured here before the Commission with Asetek CEO André Sloth Eriksen (centre) and Mads Stenstrup, the company's Project Manager, Public Affairs & Communications in Denmark.*







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## ASETEK A/S

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(USD 000's)	Note	2020	2019
Revenue	4	72,750	54,334
Cost of sales	8	(38,556)	(31,329)
<b>GROSS PROFIT</b>		<b>34,194</b>	<b>23,005</b>
Research and development		(5,718)	(4,889)
Selling, general and administrative		(17,548)	(17,821)
Other income		-	753
<b>TOTAL OPERATING EXPENSES</b>	8	<b>(23,266)</b>	<b>(21,957)</b>
<b>OPERATING INCOME</b>		<b>10,928</b>	<b>1,048</b>
Foreign exchange gain (loss)	9	(1,361)	218
Finance income	9	51	359
Finance costs	9	(192)	(171)
<b>TOTAL FINANCIAL INCOME</b>		<b>(1,502)</b>	<b>406</b>
<b>INCOME BEFORE TAX</b>		<b>9,426</b>	<b>1,454</b>
Income tax (expense) benefit	10, 11	(231)	(2,082)
<b>INCOME FOR THE YEAR</b>		<b>9,195</b>	<b>(628)</b>
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments		2,392	(444)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>11,587</b>	<b>(1,072)</b>
<b>INCOME PER SHARE: (IN USD)</b>			
Basic	12	0.36	(0.02)
Diluted	12	0.35	(0.02)

All operations are continuing.

The Notes on the following pages are an integral part of these consolidated financial statements.



## ASETEK A/S CONSOLIDATED BALANCE SHEET

As of December 31, 2020 and 2019

(USD 000's)	Note	2020	2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	15	3,217	1,920
Property and equipment	16	7,049	6,115
Deferred income tax assets	11	6,421	5,521
Other assets		605	307
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17,292</b>	<b>13,863</b>
<b>CURRENT ASSETS</b>			
Inventory	18	2,531	1,657
Trade receivables and other	17	24,471	14,080
Cash and cash equivalents		27,099	24,505
<b>TOTAL CURRENT ASSETS</b>		<b>54,101</b>	<b>40,242</b>
<b>TOTAL ASSETS</b>		<b>71,393</b>	<b>54,105</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	19	433	423
Retained earnings		50,681	38,197
Translation and other reserves		(3,589)	388
<b>TOTAL EQUITY</b>		<b>47,525</b>	<b>39,008</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	20	2,604	2,774
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,604</b>	<b>2,774</b>
<b>CURRENT LIABILITIES</b>			
Short-term debt	20	1,525	1,518
Accrued liabilities		2,429	1,022
Accrued compensation and employee benefits		3,193	1,526
Trade payables		14,117	8,257
<b>TOTAL CURRENT LIABILITIES</b>		<b>21,264</b>	<b>12,323</b>
<b>TOTAL LIABILITIES</b>		<b>23,868</b>	<b>15,097</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>71,393</b>	<b>54,105</b>

The Notes on the following pages are an integral part of these consolidated financial statements.

## ASETEK A/S CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(USD 000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
<b>EQUITY AT DECEMBER 31, 2018</b>	<b>422</b>	<b>836</b>	<b>(4)</b>	<b>37,704</b>	<b>38,958</b>
Total comprehensive income for 2019					
Income for the year	-	-	-	(628)	(628)
Foreign currency translation adjustments	-	(444)	-	-	(444)
Total comprehensive income for 2019	-	(444)	-	(628)	(1,072)
Transactions with owners in 2019					
Shares issued	1	-	-	65	66
Share based payment expense	-	-	-	1,056	1,056
Transactions with owners in 2019	1	-	-	1,121	1,122
<b>EQUITY AT DECEMBER 31, 2019</b>	<b>423</b>	<b>392</b>	<b>(4)</b>	<b>38,197</b>	<b>39,008</b>
Total comprehensive income for 2020					
Income for the year	-	-	-	9,195	9,195
Foreign currency translation adjustments	-	2,392	-	-	2,392
Total comprehensive income for 2020	-	2,392	-	9,195	11,587
Transactions with owners in 2020					
Shares issued	10	-	-	2,371	2,381
Shares repurchased	-	-	(6,369)	-	(6,369)
Share based payment expense	-	-	-	918	918
Transactions with owners in 2020	10	-	(6,369)	3,289	(3,070)
<b>EQUITY AT DECEMBER 31, 2020</b>	<b>433</b>	<b>2,784</b>	<b>(6,373)</b>	<b>50,681</b>	<b>47,525</b>

The Notes on the following pages are an integral part of these consolidated financial statements.

## ASETEK A/S CONSOLIDATED CASH FLOW STATEMENT

For the years ended December 31, 2020 and 2019

(USD 000's)	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) for the year		9,195	(628)
Depreciation and amortization	15, 16	3,754	4,057
Finance income recognized	9	(51)	(359)
Finance costs recognized	9	192	171
Finance income, cash received		51	359
Finance costs, cash paid		(112)	(84)
Income tax expense (income)	10, 11	231	2,082
Cash receipt (payment) for income tax		10	(172)
Share based payments expense	7	918	1,056
Changes in trade receivables, inventories, other assets		(10,121)	2,234
Changes in trade payables and accrued liabilities		7,363	154
<b>NET CASH PROVIDED IN OPERATING ACTIVITIES</b>		<b>11,430</b>	<b>8,870</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of business	14	(1,316)	-
Additions to intangible assets	14, 15	(1,571)	(1,441)
Purchase of property and equipment	16	(1,929)	(713)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(4,816)</b>	<b>(2,154)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of borrowings		(269)	22
Repurchase of common shares		(6,369)	-
Proceeds from issuance of share capital	19	2,381	64
Principal payments on leases		(831)	(734)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		<b>(5,088)</b>	<b>(648)</b>
Effect of exchange rate changes on cash and cash equivalents		1,068	(190)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>2,594</b>	<b>5,878</b>
Cash and cash equivalents at beginning of period		24,505	18,627
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>27,099</b>	<b>24,505</b>
<b>SUPPLEMENTAL DISCLOSURE - NON-CASH ITEMS</b>			
Assets acquired under leases	21	668	413

The Notes on the following pages are an integral part of these consolidated financial statements.

NOTES

1. GENERAL INFORMATION

Asetek A/S (‘the Company’), and its subsidiaries (together, ‘Asetek Group’, ‘the Group’ or ‘Asetek’) designs, develops and markets liquid cooling solutions used in personal computers, servers and data centers. The Group’s core products utilize liquid cooling technology to provide improved performance, acoustics and energy efficiency. The Company is based in Aalborg, Denmark with offices in USA, China and Taiwan. The Company’s shares trade on the Oslo Stock Exchange under the symbol ‘ASETEK’.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost convention, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the supplementary Danish information requirements for class D publicly listed companies.

2.2. Consolidation

The consolidated financial statements comprise the Company and its consolidated subsidiaries. Subsidiaries are all entities (including structured entities) over which the

Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from the intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the total consideration transferred, value of non-controlling interests and the fair value of any equity investments previously held in the acquiree over the total identifiable net assets measured at fair value are recognized as goodwill.

2.3. Foreign currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The functional currency of the Company’s operations in the United States of America, Denmark and China are the U.S. dollar, Danish kroner, and Chinese Yuan Renminbi, respectively. The consolidated financial statements are presented in U.S. dollars, which is the Group’s presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as operating expense in the income statement in foreign exchange (loss)/gain.

Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

// Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

// Income and expenses for each income statement are translated at average exchange rates;

// All resulting exchange differences are recognized in other comprehensive income

2.4. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided over the estimated useful lives of the depreciable assets, generally three to five years, using the straight-line method. The assets’ useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized as other income or expense in the consolidated income statement. Property and equipment is grouped as follows:

Group	Estimated Useful Life
Leasehold improvements	Lesser of 5 years or lease term
Plant and machinery	5 years
Tools, equipment, fixtures	3 to 5 years



**2.5. Research and development**

Research costs are expensed as incurred. Costs directly attributable to the design and testing of new or improved products to be held for sale by the Group are recognized as intangible assets within development projects when all of the following criteria are met:

- // It is technically feasible to complete the product so that it will be available for sale;
- // management intends to complete the product and use or sell it;
- // there is an ability to use or sell the product;
- // it can be demonstrated how the product will generate probable future economic benefits;
- // adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- // the expenditures attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the product include the employee costs associated with development. Other development expenditures that do not meet these criteria are recognized as expense when incurred. Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs recognized as assets are amortized on a straight-line basis over their estimated useful lives, which generally range between three and forty-eight months. Amortization expense related to capitalized development costs is included in research and development expense.

**2.6. Impairment of non-financial assets**

Assets that are subject to amortization are reviewed for impairment annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of 1) an asset's fair value less costs to sell or 2) its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that previously suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. If an impairment loss on goodwill is identified, it is recognized as an expense and is not reversed in a subsequent period.

**2.7. Financial assets**

**Recognition and Measurement.** The Group determines the classification of its financial assets at initial recognition. Financial assets within the scope of IFRS 9 Financial Instruments are classified as follows:

- // 'Amortized cost' are financial assets representing contractual cash flows held for collection, where such cash flows solely represent payment of principal and interest.
- // 'Fair value'. All other financial assets, representing other debt and equity instruments that do not meet the 'amortized cost' criteria, are recognized at fair value. All fair value movements on financial assets are taken through

the income statement, or for certain debt instruments that qualify, through other comprehensive income.

For all years presented, the Group's financial assets are all classified as 'amortized cost'.

**Impairment of financial assets.** For financial assets carried at amortized cost, the Group measures at the end of each reporting period the expected credit losses to be incurred for a financial asset or group of financial assets. The Company utilizes historical experience, evaluation of possible outcomes, current conditions and forecasts of future economic conditions to determine expected credit losses. Evidence may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**2.8. Financial liabilities**

**Recognition and measurement.** Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or other liabilities. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value less, in the case of other liabilities, directly attributable transaction costs. The measurement of financial liabilities depends on their classification as follows:

- // 'Financial liabilities at fair value through profit or loss' are liabilities entered into that do not meet the hedge accounting criteria as defined by IFRS 9. Gains or losses on liabilities held for trading are recognized in profit and loss. At December 31, 2020, the Company has no liabilities measured at fair value through profit and loss.

- // 'Other liabilities' – After initial recognition, interest bearing debt is subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

**Offsetting of financial instruments.** Financial assets and financial liabilities are offset, and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**2.9. Inventories**

Inventories are stated at the lower of actual cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess, obsolescence, or impaired balances.

**2.10. Trade receivables**

Trade receivables are amounts due from customers for product sold in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for expected credit losses. If collection is expected in one year or less, trade receivables are classified as current assets. Expected credit losses are determined utilizing the simplified approach allowed under IFRS 9 Financial Instruments.

**2.11. Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits with banks, overdrafts and other short-term highly liquid investments with original maturities of three months or less.

**2.12. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.13. Share-based payments**

The Company issues options (or warrants) that allow management and key personnel to acquire shares in the Company. Through equity-settled, share-based compensation plans, the Company receives services from employees as consideration for the granting of equity options to purchase shares in the Company at a fixed exercise price. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The grant date fair value of options granted is recognized as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (vesting period). The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions as set forth in the share option program. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. At each reporting date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The impact of the revision to original estimates, if any, is recognized in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

**2.14. Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.15. Revenue recognition and other income**

Revenue represents sale of the Group's products to customers which are principally resellers and original equipment manufacturers. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, sales tax, returns and after eliminating sales within the Group.

The Group's revenue is predominantly comprised of shipment of Asetek products in fulfillment of customer purchase orders. As such, the Company recognizes revenue when a valid contract is in place and control of the goods have transferred to the customer. Customer purchase orders and/or contracts are used as evidence of an arrangement. Delivery occurs and control of the goods is deemed to transfer when products are shipped to the specified location and the risks of obsolescence and loss have been transferred to the customer. For certain customers with vendor-managed inventory, delivery does

not occur until product is acquired by the customer from the vendor-managed inventory location. The Company assesses collectability based primarily on the creditworthiness of the customer as determined by credit checks and customer payment history. Customers do not generally have a right of return.

Income received as a result of patent litigation settlement is recorded as other income as an offset to operating expense in the period the award is granted. Estimated costs for future product returns under warranty are charged to cost of sales and included in accrued liabilities.

#### 2.16. Leases

On January 1, 2019, the Group adopted IFRS 16 Leases on a modified retrospective basis without restatement of the prior year, as permitted under the standard. Upon adoption of IFRS 16, Asetek recognized lease liabilities for leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Lease liabilities include the net present value of: fixed lease payments, amounts expected to be payable under residual value guarantees, any purchase options that are reasonably expected to be exercised, and any penalties for termination reflected in the lease term. The corresponding rental obligations, net of finance charges, are included in other long-term debt. Amounts due within one year are included in short-term debt.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to reflect a constant periodic rate of interest on the remaining balance of the liability for each period.

From January 1, 2019, the associated right-of-use assets for the leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as of December 31, 2018. Leased assets are recognized as a right-of-use asset at the date at which the leased asset is available for use by the Group, initially measured on a present value basis and included in Property and equipment on the balance sheet.

#### 2.17. Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. If the impact of time value is significant, the provision is calculated by discounting anticipated future cash flow using a discount rate before tax that reflects the market's pricing of the present value of money and, if relevant, risks specifically associated with the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### 2.18. Contingent liabilities

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

#### 2.19. Segment reporting

**Business segmentation.** The Group is reporting on two segments, Gaming and Enthusiast, and Data center. The two segments are identified by their specific sets of products and specific sets of customers. The splitting of operating expenses between segments is based on the Company's best judgment and done by using the Company's employee/project time tracking system to capture total hours charged by project code. Operating expenses that are not divisible by nature (rent, telecommunication expenses, etc.) have been split according to actual time spent on the two businesses, and the Company's best estimate for attribution. Costs incurred for intellectual property defense and headquarters administration have been classified separately as headquarters costs and excluded from segment operating expenses. The CEO is the Group's chief operating decision-maker. The CEO assesses the performance of the Group principally on measures of revenue and adjusted EBITDA.

**Geographical segmentation.** Each of the Group's offices in its three principal geographies fulfills a particular function that serves the Asetek Group as a whole. The majority of costs incurred in each of the geographies are generally incurred for the benefit of the entire Group and not to generate revenue in the respective geography.

As a result, the financial results of the Group are not divided between multiple geographical segments for key operating decision-making. Revenue and assets by geography is measured and reported in Note 4, Geographical information.

#### 2.20. Cash flow statement

The cash flow statement is prepared using the indirect method.

#### 2.21. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Areas where significant judgment has been applied are:

// Valuation of deferred tax assets: deferred income tax assets are recognized to the extent that the realization of the tax benefit to offset future tax liabilities is considered to be probable. In prior years, the Company incurred net operating losses which are eligible to offset future taxable income. In 2020, the Company generated net income and therefore recorded deferred

tax assets representing the estimated amount of net operating losses that will be utilized to offset future taxable income, based on income projections for the next five years. In future periods, management will continue to assess the probability of realization of the assets' value and adjust the valuation in accordance with IAS 12.

// Capitalization of development costs: the Group's business includes a significant element of research and development activity. Under IAS 38, there is a requirement to capitalize and amortize development spend to match costs to expected benefits from projects deemed to be commercially viable. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalized costs, together with the selection of amortization periods appropriate to the life of the associated revenue from the product. If customer demand for products or the useful lives of products vary from management estimates, impairment charges on intangibles could increase.

## 2.22. Defined contribution plan

In 2008, the Company established a defined contribution savings plan (the "Plan") in the U.S. that meets the requirements under Section 401(k) of the U.S. Internal Revenue Code. This Plan covers substantially all U.S. employees who meet the minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the Plan may be made at the discretion

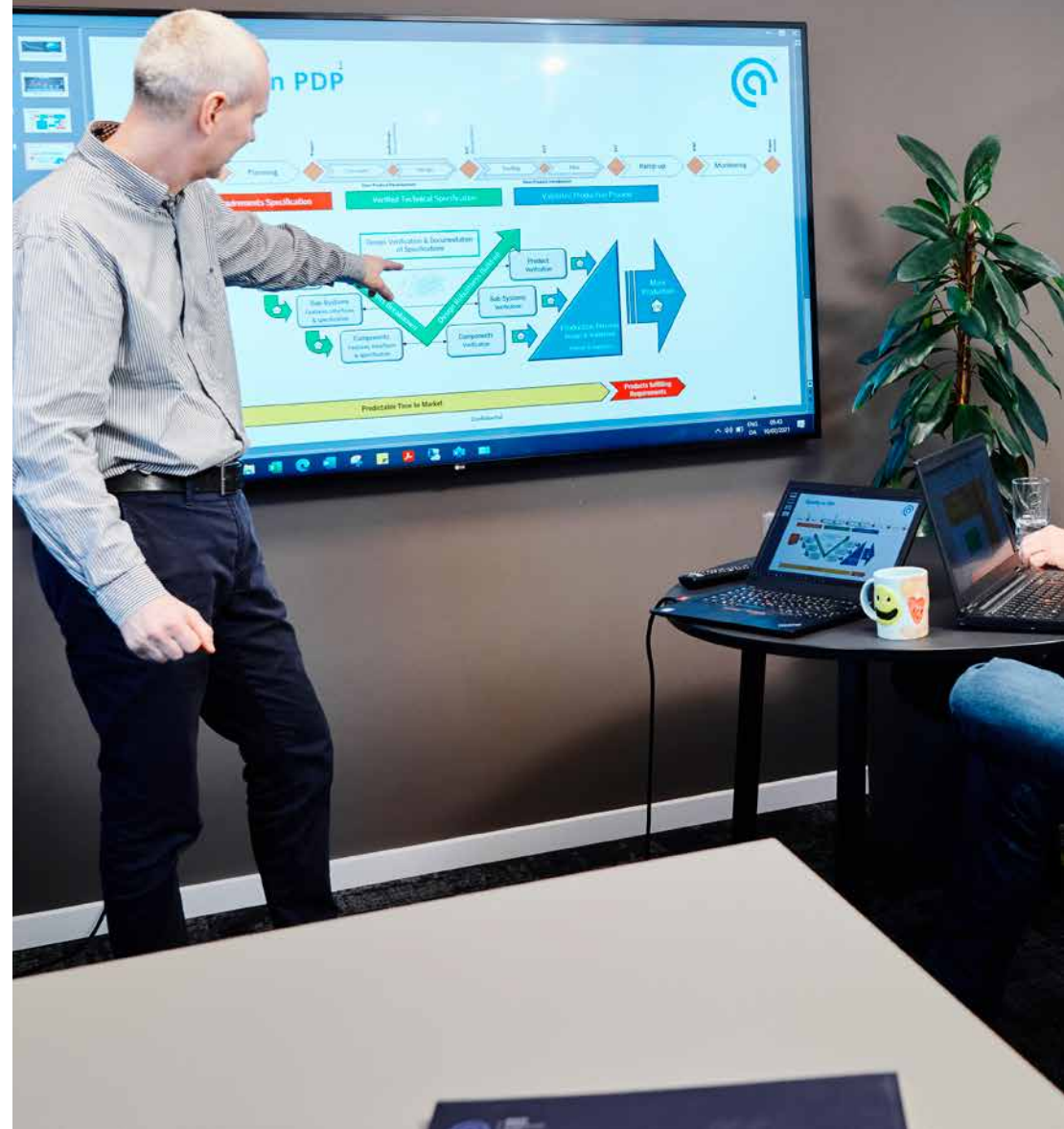
of the board of directors. In the year ended December 31, 2020, the Company made matching contributions totalling \$21,000 (none in 2019).

## 2.23 ESEF Regulation

The Company's Annual Report is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

**2.24. Changes in accounting policy and disclosures Applied new standards and amendments included in Annual Report for 2020.** Certain new standards, amendments to standards, and annual improvements to standards and interpretations are effective for annual periods beginning after January 1, 2020 and have been applied in preparing these consolidated financial statements. These applications did not materially impact the Group's consolidated financial statements.

*Asetek's Quality Director, Magnus Hakanen (left) says that his most important goal has been to get all of Asetek's dedicated employees to feel a responsibility for quality and prioritise it proactively, not reactively as before.*







# RELIABILITY AND QUALITY AS GOOD AS IN THE SPACE INDUSTRY

**BY TAKING A PROACTIVE APPROACH RATHER THAN A REACTIVE ONE, ASETEK'S QUALITY ASSURANCE HAS RAISED THE RELIABILITY OF LIQUID COOLING PRODUCTS TO A LEVEL CLOSE TO PERFECTION.**

"Asetek's products need reliability matching the requirements set in the space industry, and now they have achieved it. For us, it's just not enough for the unit to work almost all the time or only cost a little now and then. Many of our products actually have to work 24/7, all year round, for at least 10 years running. It's a question of credibility and money," explains Asetek Vice President of Global Quality Magnus Hakanen. The 51-year-old Swedish civil engineer started working in quality assurance 20 years ago with an automotive parts supplier to Volvo, and went on to accumulate extensive know-how from similar quality assurance work with international players such as Vestas and Grundfos, before coming to Asetek 3 years ago.

And Magnus Hakanen has a statistical basis for his remarkable goals and vision. He is happy to present graphs and figures on his screen showing, from every imaginable angle, how Asetek's margin of error has moved in recent years from what he describes as "really good" to "space industry super good."

But such a degree of perfection is a necessity if Asetek wants to be the world's leading manufacturer in the rapidly growing market in water cooling for PCs, servers and data centers – and to deliver, as Asetek does, to world-renowned OEM's such as HP, Dell, Intel, Fujitsu and many others.

## ALL EMPLOYEES HAVE A RESPONSIBILITY

Magnus heads the quality assurance department at Asetek's headquarters. He also leads Asetek's quality team in China which has an equivalent role in respect of Asetek's carefully selected 25-30 sub-suppliers in Asia.

But his most important goal, says Hakanen, has been to get all of Asetek's dedicated employees to feel a strong responsibility for quality and prioritise it proactively, not reactively. Now, from the time the engineers create drawings and calculations for future products on their computers through the design, development and manufacturing, the entire workflow is geared towards foreseeing potential problems and risks and mitigating them long before the products have arrived anywhere near mass production or even prototype status.

As Magnus Hakanen says: "Of course, it saves a lot of money when the product is built just right the first time.

Above all, it raises our credibility with partners who have to be able to guarantee to the end-customer that their PC or server isn't going to fail, for example."

## TWO DIFFERENT CHALLENGES

Hakanen describes slightly different challenges relating to the two main areas of on-processor liquid cooling that Asetek works in: the well-established PC market, and the growing data center market, where more and more people are noticing the energy-saving and climate-friendly alternative offered by Asetek. Data centers sometimes total thousands of servers that could cool more efficiently with direct on-processor liquid cooling than with traditional air cooling for the same power consumption. Furthermore, Asetek's technology also makes climate-friendly use of the enormous total quantity of residual heat, for example through circular reuse by connecting to local district heating networks.

**New standards and amendments not applied in the**

**Annual Report for 2020.** There are some new standards and amendments to standards and interpretations that have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group:

Standard	Content	Effective date
<b>EU ENDORSED AS OF DECEMBER 31, 2020</b>		
Amendments to IFRS 3 Business Combinations	The amendment assists entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition.	1-Jan-2020
Amendments to IFRS 9, IAS 39, IFRS 7: <i>Interest Rate Benchmark Reform</i>	The amendments relate to the issues affecting financial reporting in the periods before replacement of an existing interest rate benchmark with an alternative interest rate.	1-Jan-2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i>	These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	1-Jan-2021
<b>NOT ENDORSED BY EU AS OF DECEMBER 31, 2020</b>		
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020	The small amendments will: update a reference in IFRS 3 without changing accounting requirements; require proceeds received from sale when preparing PP&E for its intended use to be recorded in profit and loss instead of as a reduction to cost; specify which costs a company includes when assessing whether a contract will be loss-making; make minor amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16.	1-Jan-2022
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral	The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date are not relevant to the determination.	1-Jan-2023

### 3.RISK MANAGEMENT AND DEBT

The Group's activities expose it to a variety of risks: liquidity risk, market risk (including foreign exchange risk and interest rate risk) and credit risk. The primary responsibility for Asetek's risk management and internal controls in relation to the financial reporting process rests with executive management.

Asetek's internal control procedures are integrated in the accounting and reporting systems and include procedures with respect to review, authorization, approval and reconciliation. All entities in the Asetek Group report financial and operational data to the executive office on a monthly basis, including commentary regarding financial and business development. Based on this reporting, the Group's financial statements are consolidated and reported to executive management. Management is in charge of ongoing efficient risk management, including the identification of material risks, the development of systems for risk management, and that significant risks are routinely reported to the board of directors.

The need for an internal audit function is considered regularly by the Audit Committee. However, due to the size of the Company and the established control activities, the Audit Committee so far considers it unnecessary to establish an independent internal executive audit board. As part of risk management, Asetek has a whistle-blower function for expedient and confidential notification of possible or suspected wrongdoing.

**Liquidity risk.** The Group incurred losses from operations and negative cash flows from operations from inception through 2015; positive cash flows and operating income were first generated in 2016 and have continued through 2020.

To facilitate ongoing operations, Asetek has secured bank lines of credit and trade receivables financing. The Group's corporate finance team monitors risk of a shortage of funds through regular updates and analysis of cash flow projections and maturities of financial assets and liabilities. The finance teams also review liquidity, balance sheet ratios (such as days' sales outstanding, inventory turns) and other metrics on a regular basis to ensure compliance both on a short- and long-term basis.

Asetek will continue to invest its capital principally in the development and marketing of its products. In 2016, the Board of Directors implemented a policy under which it may declare and distribute dividends to shareholders. At the Annual General Meeting in April 2020, the Board was authorized to acquire the Company's own shares and subsequently initiated a share buyback program. In 2020, the Company repurchased a total of 844 thousand common shares on the open market for a total cost of \$6.4 million. When considering payment of dividends or Asetek share purchases, the Board takes into consideration the Company's growth plans, international tax implications, liquidity requirements and necessary financial flexibility.

The following are contractual maturities of financial liabilities, including estimated interest payments on an undiscounted basis.

#### DEBT MATURITIES

AS OF DECEMBER 31, 2020 (USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(536)	-	-	-	(536)
Leases	-	(247)	(837)	(2,639)	(3,723)
Trade payables and accrued liabilities	-	(18,927)	(812)	-	(19,739)
	(536)	(19,174)	(1,649)	(2,639)	(23,998)

AS OF DECEMBER 31, 2019 (USD 000's)	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Line of credit	(746)	-	-	-	(746)
Finance leases	-	(211)	(619)	(2,903)	(3,733)
Trade payables and accrued liabilities	-	(10,048)	(757)	-	(10,805)
	(746)	(10,259)	(1,376)	(2,903)	(15,284)



**Market risk factors.** The Group's current principal financial liabilities consist of short-term debt on revolving lines of credit and amounts owed on facilities and equipment leases. The Group's financial assets mainly comprise trade receivables, cash and deposits. The Group's operations are exposed to market risks, principally foreign exchange risk and interest rate risk.

(a) **Foreign exchange risk.** With few exceptions, the Group's inventory purchase and sale transactions are denominated in U.S. dollars. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, principally with respect to the Danish kroner. Foreign exchange risk arises from operating results and net assets associated with Denmark-based operations where the Danish krone is the functional currency. Translation of the Denmark entity balance sheet accounts from Danish kroner to U.S. dollars affect the equity balances of the Group. The Company's Denmark entity has a revolving line of credit available totaling 5.0 million Danish kroner (\$0.8 million) as of December 31, 2020. The Group does not enter into derivatives or other hedging transactions to manage foreign exchange risk. Management mitigates this exposure through timely settlement of intercompany operating liabilities.

The ending exchange rate at December 31, 2020 was 6.06 Danish kroner to one U.S. dollar (6.68 to the U.S. dollar at December 31, 2019). The effect of a 10% strengthening (weakening) of the Danish kroner against the U.S. dollar for the reporting period would have resulted in an increase (decrease) in pre-tax income for fiscal year 2020 of \$1,538,000 (in 2019, increase of the pre-tax income of \$926,000).

(b) **Interest rate risk.** As of December 31, 2020, Asetek had the following debt outstanding that is subject to interest rate risk:

// Line of credit with Sydbank – 5.0 million Danish kroner revolving line of credit available to Asetek A/S. Total line in USD is approximately \$825 thousand, of which \$536 thousand was outstanding at December 31, 2020. The line carries interest at the Danish CIBOR 3 rate plus 2.25 percentage points, which in total was 2.03% at December 31, 2020. Based on the line's revolving, short-term nature, interest rate risk is not significant.

**Capital and debt management.** To date the Company's primary focus has been to support its product development initiatives, maintain liquidity through use of financing alternatives, and maximize shareholder value. The Group manages its capital and debt structure with consideration of economic conditions. In 2013 and 2015, the Company raised capital through the offering of its common stock on the Oslo Stock Exchange. With regard to future capital needs, the Company will continue to consider both equity and debt financing strategies.

**Credit risk factors.** Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk primarily through trade receivables and cash deposits. Management mitigates credit risk through standard review of customer credit-worthiness and maintaining its liquid assets primarily with Wells Fargo Bank in the U.S. and Sydbank in Denmark. The carrying amount of the financial assets represents the maximum credit exposure.

Trade receivables that are deemed uncollectible are charged to expense with an offsetting allowance recorded against the trade receivable. Historically, bad debt expense has not been significant. Certain customers have accounted for a significant portion of the Company's revenues in the years presented, as follows. In 2020, the Company's two largest customers accounted for 41% and 14% of revenue (31% and 27% in 2019), respectively. The Company mitigates risk with its largest customer by requiring two remittances per month as well as frequent monitoring and communicating regarding invoices coming due.

At December 31, 2020 two customers represented 47% and 17% of outstanding trade receivables (38% and 15% at December 31, 2019), respectively. The reserve for uncollectible trade accounts was \$23,000 at December 31, 2020 and \$48,000 at December 31, 2019. The aged trade receivables and bad debt reserve balances for all years presented are provided in Note 17.

The maximum exposure to credit risk at the reporting dates was:

(USD 000's)	2020	2019
Cash and cash equivalents	27,099	24,505
Trade receivables and other	24,471	14,080
Other assets	605	307
<b>MAXIMUM CREDIT EXPOSURE</b>	<b>52,175</b>	<b>38,892</b>

## 4. GEOGRAPHICAL INFORMATION

The Group operates internationally in several geographical areas, principally in Asia, Europe and the Americas.

The following table presents the Group's revenue and assets in each of the principal geographical areas:

(USD 000's)		2020	
	Revenue	Current assets	Non-current assets
Asia	62,383	23,074	96
Americas	5,440	10,091	2,035
Europe	4,927	20,936	15,161
<b>TOTAL</b>	<b>72,750</b>	<b>54,101</b>	<b>17,292</b>

(USD 000's)		2019	
	Revenue	Current assets	Non-current assets
Asia	47,206	12,435	38
Americas	4,716	4,158	882
Europe	2,412	23,649	12,943
<b>TOTAL</b>	<b>54,334</b>	<b>40,242</b>	<b>13,863</b>

For the purpose of the above presentation, the information pertaining to revenue and current assets is calculated based on the location of the customers, whereas information pertaining to non-current assets is based on the physical location of the assets. The information pertaining to current assets is calculated as a summation of assets such as trade receivables and finished goods inventories reasonably attributable to the specific geographical area.

(USD 000's)	Non-current assets	
	2020	2019
Denmark	15,161	12,943
USA	2,035	882
China	96	38
<b>TOTAL</b>	<b>17,292</b>	<b>13,863</b>

(USD 000's)	Revenue	
	2020	2019
Denmark	278	208
Hong Kong	3,083	16,970
Taiwan	46,610	21,817
USA	5,181	4,527
All others	17,598	10,812
<b>TOTAL</b>	<b>72,750</b>	<b>54,334</b>

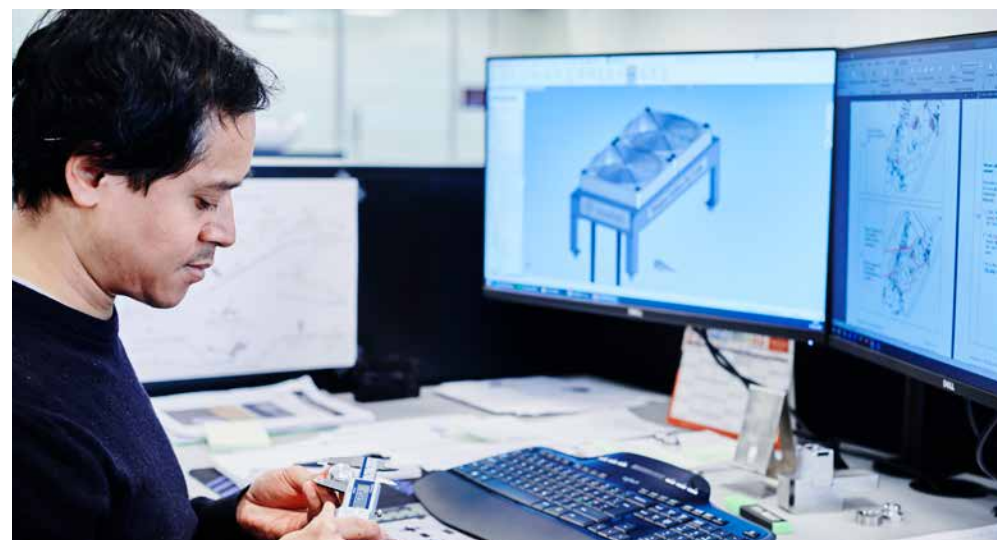
## 5. SEGMENT INFORMATION

The Company reports on two segments, Gaming and Enthusiast and Data center. The two segments are identified by their specific sets of products and specific sets of customers. The CEO is the Group's chief operating decision-maker. The CEO assesses the performance of each segment principally on measures of revenue and adjusted EBITDA. The following tables represent the results by operating segment in 2020 and 2019. Disaggregation of revenue is also presented for the major markets within each segment.

Segment operating results - years ended December 31,	2020				2019			
(USD 000's)	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total	Gaming and Enthusiast	Datacenter	Not allocable to divisions	Total
Revenue	64,719	8,031	-	72,750	51,791	2,543	-	54,334
Adjusted EBITDA	21,405	(1,205)	(4,600)	15,600	14,606	(4,284)	(4,161)	6,161

Reconciliation of Adjusted EBITDA to Income before tax (USD 000's)	2020	2019
EBITDA, adjusted - Gaming and Enthusiast	21,405	14,606
EBITDA, adjusted - Data center	(1,205)	(4,284)
Headquarters costs	(4,600)	(4,161)
Share based compensation	(918)	(1,056)
Depreciation and amortization	(3,754)	(4,057)
Total financial income (expenses)	(1,502)	406
Consolidated income before tax	9,426	1,454

Disaggregation of revenue (USD 000's)	2020	2019
Gaming and Enthusiast:		
Enthusiast/DIY	54,889	43,312
Gaming/Performance PC	9,830	8,479
Data center market:		
OEM	8,031	2,233
Government	-	310
<b>TOTAL REVENUE</b>	<b>72,750</b>	<b>54,334</b>



## 6. SALARY COSTS AND REMUNERATIONS

(USD 000's)	2020	2019
Salaries	10,841	9,268
Retirement fund contributions	433	382
Social cost	1,279	1,188
Share based payment	918	1,056
Other expenses	(40)	117
<b>TOTAL PERSONNEL EXPENSES BEFORE CAPITALIZATION</b>	<b>13,431</b>	<b>12,011</b>
Capitalized as development cost	(958)	(1,000)
<b>TOTAL PERSONNEL EXPENSES IN STATEMENT OF INCOME</b>	<b>12,473</b>	<b>11,011</b>
<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>110</b>	<b>97</b>

The staff costs are specified as follows:

(USD 000's)	2020	2019
Research and development	3,476	2,768
Selling, general and administrative	9,955	9,243
Total personnel expenses before capitalization	13,431	12,011

The figures listed include incentive based compensation for management and staff. Incentive based compensation is based on a combination of quarterly cash-based rewards and periodic grants of options (or warrants) to buy the Company's common shares. The above remuneration for Officers includes \$76,000 and \$72,000 in pension payments in 2020 and 2019, respectively. The bonus plan for the CEO is approved by the Board of Directors at the beginning of the year and the bonus payments for the CEO and the upper management are reviewed by the Board of Directors on an annual basis. All bonus plans are structured to include an absolute dollar cap.

The Company's CEO has an agreement of twelve months' severance pay in case of termination or termination in connection with change of control. The Company's CFO has an agreement of seven months' severance pay in case of termination or termination in connection with change of control. Except for the Company's CEO and CFO and other members of the executive group, no member of the administrative, management or supervisory bodies has contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Compensation to the Board of Directors, Officers and Other Executives\*

	2020				2019			
(USD 000's)	Directors	Officers	Other Executives	Total	Directors	Officers	Other Executives	Total
Salary	-	868	937	1,805	-	837	1,101	1,938
Bonus	-	501	695	1,196	-	231	335	566
Share based	-	285	274	559	-	314	395	709
Other	217	181	150	548	201	239	84	524
<b>TOTAL</b>	<b>217</b>	<b>1,835</b>	<b>2,056</b>	<b>4,108</b>	<b>201</b>	<b>1,621</b>	<b>1,915</b>	<b>3,737</b>

\*Other Executives includes the Chief Operating Officer and other members of the executive team who are leaders of the key functions (Engineering, Sales & Marketing, Operations)

Share Ownership of Officers at December 31, 2020:

	André S. Eriksen	Peter D. Madsen
Common shares	334,816	96,406
Options at NOK 24.70	106,800	61,750
Options at NOK 38.33	68,500	42,075
Options at NOK 46.30	53,300	26,500
Warrants at:		
NOK 10.50	-	50,875
NOK 19.50	-	49,837
NOK 40.10	-	10,313
NOK 76.25	132,981	44,215
<b>TOTAL SHARES CONTROLLED</b>	<b>696,397</b>	<b>381,971</b>

Options granted in 2020:

Group	Options Granted
Board of directors	-
Officers	110,575
Other executives	73,962
Other employees	135,763
<b>TOTAL GRANTED</b>	<b>320,300</b>

## 7. SHARE BASED PAYMENT

Asetek's Equity Incentive program is a share compensation program where the employees and other parties that deliver services to the Group have been granted share options (or warrants). The options, if vested and executed, will be settled in common shares of the Company.

The options are granted at the time of employment and, at the discretion of the Board of Directors, under other circumstances. The options are granted with exercise prices equaling the fair market value of the underlying security. The exercise prices of option grants are determined based on the closing market price of the shares on the day of the grant. Share-based compensation expense was \$918,000 and \$1,056,000 for the years ended December 31, 2020 and 2019, respectively.

The program was adopted by the Board of Directors in 2008 and has the following purpose:

- // To attract and retain the best available personnel for positions of substantial responsibility;
- // To provide additional incentive to employees, directors and consultants, and
- // To promote the success of the Company's business.

As of December 31, 2020, there is a total of 2,358,141 common shares authorized under the Plan.

The Company's shares trade on the Oslo Stock Exchange, at prices denominated in Norwegian krone (NOK).

The exchange rate at December 31, 2020 of NOK to USD was 8.59.



In April 2020, the Company granted 320,300 options with exercise prices of NOK38.33 per share. In April 2019, the Company granted 494,900 options with exercise prices of NOK24.70 per share. Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

Activity for exercise prices of: NOK 10.60 to NOK 24.70	2020	Weighted Average Exercise - Price (NOK)		2019	Weighted Average Exercise - Price (NOK)	
			Price			Price
Outstanding on January 1	1,303,830		18.77	884,283		14.68
Options/warrants granted	-		-	494,900		24.70
Options/warrants exercised	(308,408)		15.98	(64,461)		5.41
Options/warrants forfeited	(6,800)		24.70	(10,892)		19.16
<b>OUTSTANDING ON DECEMBER 31</b>	<b>988,622</b>		<b>19.60</b>	<b>1,303,830</b>		<b>18.77</b>
<b>EXERCISABLE ON DECEMBER 31</b>	<b>664,037</b>		<b>17.11</b>	<b>814,195</b>		<b>15.43</b>

The weighted average market price per share on the date of exercise for the above shares was NOK 68.73 in 2020 and NOK 32.71 in 2019

Activity for exercise prices of: NOK 33.90 to NOK 113.00	2020	Weighted Average Exercise - Price (NOK)		2019	Weighted Average Exercise - Price (NOK)	
			Price			Price
Outstanding on January 1	1,322,232		58.08	1,369,938		58.70
Options/warrants granted	320,300		38.33	-		-
Options/warrants exercised	(425,222)		38.61	-		-
Options/warrants forfeited	(13,195)		57.79	(47,706)		67.23
<b>OUTSTANDING ON DECEMBER 31</b>	<b>1,204,115</b>		<b>59.71</b>	<b>1,322,232</b>		<b>58.08</b>
<b>EXERCISABLE ON DECEMBER 31</b>	<b>756,790</b>		<b>67.81</b>	<b>921,427</b>		<b>56.06</b>

The weighted average market price per share on the date of exercise for the above shares was NOK 71.27 in 2020

The composition of options and warrants outstanding at December 31 is as follows:

Exercise price per share	Number of shares	
	2020	2019
NOK 10.60	263,253	395,973
NOK 19.50	255,504	412,957
NOK 24.70	469,865	494,900
NOK 33.90	-	7,170
NOK 36.50	-	333,295
NOK 38.33	313,617	-
NOK 40.10	48,800	84,550
NOK 46.30	328,128	366,569
NOK 76.25	416,571	433,649
NOK 113.00	96,999	96,999
<b>TOTAL</b>	<b>2,192,737</b>	<b>2,626,062</b>

Total outstanding options and warrants represents 8.3% of total common shares issued at December 31, 2020 (10.1% in 2019).

The Company calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model, which requires subjective assumptions, including future stock price volatility and expected time to exercise. The expected volatility was based on the historical volatility of the Company's stock price. The weighted average remaining contractual term of options outstanding is 4.1 years. The options granted in April 2020 have an estimated total value of \$0.5 million. The options granted in September 2019 have an estimated total value of \$0.6 million. The following weighted average assumptions were used for the period indicated.

Valuation assumptions	2020	2019
Risk-free interest rate	0.26% - 0.37%	1.42% - 1.44%
Dividend yield	0.0%	0.0%
Expected life of options (years)	3.50 - 5.50	3.50 - 5.49
Expected volatility	57% - 61%	53% - 57%

## 8. EXPENSES BY NATURE

(USD 000's)	Note	2020	2019
Inventories recognized as cost of sales	18	38,556	31,329
Personnel expenses	6	13,431	12,011
Depreciation and amortization		3,754	4,057
Legal, patent, consultants and auditor		4,619	4,087
Facilities and infrastructure		1,221	782
Other expenses		2,256	3,214
<b>TOTAL OPERATING EXPENSES BEFORE CAPITALIZATION</b>		<b>63,837</b>	<b>55,480</b>
Less: capitalized costs for development projects	14	(2,015)	(1,441)
<b>TOTAL EXPENSES</b>		<b>61,822</b>	<b>54,039</b>

Total operating expense in the consolidated statement of comprehensive income includes a separate component of other income totaling \$0 and \$753,000 for 2020 and 2019, respectively, which represents net awards received from patent litigation.

Depreciation and amortization expense by classification on the income statement is as follows:

(USD 000's)	2020	2019
Depreciation and amortization included in:		
Research and development	1,529	1,746
Selling, general and administrative	2,225	2,311
<b>TOTAL</b>	<b>3,754</b>	<b>4,057</b>

**9. FINANCE COSTS AND INCOME**

(USD 000's)	2020	2019
Foreign exchange gain (loss)	(1,361)	218
Interest cost on line of credit	(7)	(7)
Interest cost on leases	(107)	(115)
Interest income	51	359
Other banking and finance fees	(78)	(49)
<b>TOTAL FINANCE INCOME</b>	<b>(1,502)</b>	<b>406</b>

**10. INCOME TAXES**

The tax expense on the group's income before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Asetek A/S, the Group's parent company, moved from U.S. to Denmark in 2013 and is currently subject to income tax in both U.S. and Denmark. The Company is working with the U.S. and Danish tax authorities to negotiate a resolution in accordance with international double taxation treaties.

In June 2019, the U.S. released regulation for its Global Intangible Low-Taxed Income (GILTI) inclusion for U.S. taxation, effective beginning with tax year 2018. The GILTI regulation requires U.S. companies to report foreign corporation intangible income that exceeds 10% return on foreign invested assets. Under prior law, U.S. owners of foreign corporations were able to defer recognizing taxable income until there was a distribution of earnings back to U.S. owners. The impact of the GILTI regulation caused incremental utilization of the Company's available deferred tax assets of approximately \$0.4 million in 2020 and \$1.1 million for 2018 and 2019 combined.

(USD 000's)	2020	2019
<b>INCOME (LOSS) BEFORE TAX</b>	<b>9,426</b>	<b>1,454</b>
Tax calculated at domestic rates applicable to profits/losses in respective countries	(2,328)	(351)
Tax effects of:		
R&D credit	183	20
Net benefit (expense) of tax losses recognized	1,600	(563)
Other timing differences between book and tax	732	(126)
Effect of U.S. GILTI regulation applied to foreign corporation income	(418)	(1,062)
<b>TAX (EXPENSE) BENEFIT</b>	<b>(231)</b>	<b>(2,082)</b>

**11. DEFERRED INCOME TAX**

(USD 000's)	2020	2019
Potential tax assets from prior year losses	7,340	8,597
Potential tax assets resulting from timing differences between book and tax	881	724
Tax assets not recognized	(1,800)	(3,800)
<b>DEFERRED INCOME TAX ASSETS</b>	<b>6,421</b>	<b>5,521</b>

At December 31, 2020, potential income tax assets totaled \$7.3 million (2019: \$8.6 million) in respect of remaining losses to be carried forward amounting to \$29.6 million that should be applied to different tax rates. The losses can be carried forward against future taxable income. In 2020, the Group recorded deferred tax assets totaling \$6.4 million (\$5.5 million in 2019), which represents the net tax benefit that the Company considers probable to be realized in the future, based on Company budget for the following year and estimates for the subsequent years.

In accordance with IAS 12, the Company recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. The estimated tax benefit is calculated considering historical levels of income, expectations and risks associated with estimates of future taxable income. The calculation utilizes the statutory tax rates that are expected to apply to taxable income for the years in which the asset is expected to be realized.

Losses of the U.S. parent company and U.S. subsidiary will begin to expire in 2028 for carryforward purposes. Losses of the Denmark subsidiary do not expire.

Expiration of the carryforward of losses is summarized as follows:

(USD 000's)	Tax effected loss
Expire in years 2028 to 2034	1,881
Do not expire	4,540
<b>TOTAL</b>	<b>6,421</b>

## 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the number of common shares outstanding used in the Basic calculation for the effect of dilutive equity instruments, which include options and warrants to the extent their inclusion in the calculation would be dilutive.

	2020	2019
Income attributable to equity holders of the Company (USD 000's)	\$9,195	\$(628)
Weighted average number of common shares outstanding (000's)	25,547	25,582
<b>BASIC EARNINGS PER SHARE</b>	<b>\$0.36</b>	<b>\$(0.02)</b>
Weighted average number of common shares outstanding (000's)	25,547	25,582
Instruments with potentially dilutive effect:		
Warrants and options (000's)	566	-
Weighted average number of common shares outstanding, diluted (000's)	26,113	25,582
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$0.35</b>	<b>\$(0.02)</b>

## 13. FINANCIAL INSTRUMENTS CATEGORY AND FAIR VALUE ESTIMATION

The Company uses the following valuation methods for fair value estimation of its financial instruments:

// Quoted prices (unadjusted) in active markets (Level 1).

// Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).

// Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

All of the Company's financial assets as of December 31, 2020 are classified as 'amortized cost' having fixed or determinable payments that are not quoted in an active market (Level 3). As of December 31, 2020, all of the Company's financial liabilities are carried at amortized cost.

The Company believes that book value approximates fair value for all financial instruments as of December 31, 2020. The values of the Group's assets and liabilities are as follows:

As of December 31, 2020

(USD 000's)	Amortized cost
<i>Assets as per balance sheet:</i>	
Trade receivables and other	24,471
Cash and cash equivalents	27,099
	<b>51,570</b>

As of December 31, 2020

(USD 000's)	Liabilities at fair value through profit and loss	Other financial liabilities at amortized cost	Total
<i>Liabilities as per balance sheet:</i>			
Long-term debt	-	2,604	2,604
Short-term debt	-	1,525	1,525
Trade payables and accrued liabilities	-	19,739	19,739
	<b>-</b>	<b>23,868</b>	<b>23,868</b>

As of December 31, 2019

(USD 000's)	Amortized cost
<i>Assets as per balance sheet:</i>	
Trade receivables and other	14,080
Cash and cash equivalents	24,505
	<b>38,585</b>

As of December 31, 2019

(USD 000's)	Liabilities at fair value through profit and loss	Other financial liabilities at amortized cost	Total
<i>Liabilities as per balance sheet:</i>			
Long-term debt	-	2,774	2,774
Short-term debt	-	1,518	1,518
Trade payables and accrued liabilities	-	10,805	10,805
	<b>-</b>	<b>15,097</b>	<b>15,097</b>

## 14. ACQUISITION OF BUSINESS

**Business combination.** In November 2020, the Company acquired 100% of the voting shares of JMH Gallows Pound Technologies Ltd. ("JMH"), a UK-based developer of hardware and software technology and the owner of the UltimateGameTech brand, for a sum of GBP 1 million (\$1.4 million).

**Rationale and synergies.** As a result of this acquisition, the Company is expecting to strengthen its intellectual property and product offerings in the Gaming and Enthusiast market. The combination of JMH technology with Asetek's brand and marketing resources is also expected to provide development synergies and key competitive advantages in the marketplace. The Company expects



that the acquisition will enable accelerated growth in Asetek's Gaming and Enthusiast revenue as well as provide additional breadth to the Company's product lines.

**Consideration, transaction costs, earnings impact.**

The acquisition of JMH was for cash consideration, paid in three installments over one year. In closing this transaction, the Company incurred \$40,000 of transaction costs which are included in operating expense in 2020. If the acquisition had occurred on January 1, 2020, the Group's pro forma consolidated revenue and operating income would have been \$72.8 million and \$10.7 million, respectively.

**Fair value of acquired assets and recognition of goodwill.**

The acquisition is accounted for according to IFRS 3 Business Combinations. The fair value of the assets acquired is allocated as follows:

(USD 000's)	Fair value at date of acquisition
Net assets and goodwill recognized:	
Customer contracts	256
Developed technology	444
Other, net	11
Net assets acquired	711
Fair value of consideration transferred	(1,316)
<b>Goodwill recognized</b>	<b>605</b>

Goodwill recognized pertains to the expected synergies associated with combining the Asetek brand and marketing resources with the acquired technologies. The goodwill is not deductible for tax purposes. Goodwill is not amortized but reviewed for impairment once a year and also if events or changes in circumstances indicate the carrying value may be impaired. If impairment is established, goodwill is written down to its lower recoverable amount.

**Fair value measurement.** Material net assets acquired for which significant estimates have been applied in the fair value assessment have been recognized using the following valuation techniques:

// Customer contracts. Customer contracts have been measured using a discounted cash flow model in which the present value of estimated future cash flows is computed for JMH's largest contracts. The principal input drivers of the valuation model used are estimated future retention rate, net contribution margin and discount rate. These inputs have been estimated based on management's professional judgment from analysis of the contracts acquired. The value of the customer contracts acquired is being amortized over 24 months.

// Developed technology. Developed technology is valued based on management's best estimate of the costs that would have been incurred if Asetek were to internally develop the technologies that were acquired. Significant inputs to these valuations were approximate labor hours and associated costs as estimated by Asetek's product development professionals. The value of the acquired technology is recorded as capitalized development costs. Refer to Notes 15 and 2.5 regarding the Company's accounting for capitalized development costs.

## 15. INTANGIBLE ASSETS

Refer to Note 14. for information regarding intangible assets acquired associated with business combinations. The Company's intangible assets at December 31 are comprised as follows:

(USD 000's)	2020	2019
Goodwill	605	-
Capitalized development costs	2,356	1,920
Other assets	256	-
<b>TOTAL INTANGIBLE ASSETS</b>	<b>3,217</b>	<b>1,920</b>

**Capitalized development costs.** The Group routinely incurs costs directly attributable to the design and testing of new or improved products to be held for sale. These costs are capitalized as intangible assets and amortized over the estimated useful lives of the products, typically three to forty-eight months. The following table presents a summary of these development projects.

Impairment tests are performed annually on developed assets and assets under construction. Impairment tests are also performed on completed assets whenever there are indications of a need for write-offs and for assets still

in development regardless of whether there have been indications for write downs. If the value of expected future free cash flow of the specific development project is lower than the carrying value, the asset is written down to the lower value. The booked value includes capitalized salary and related expenses for the cash flow producing project. Expected future free cash flow is based on budgets and anticipations prepared by management. The main parameters are the development in revenue, EBIT and working capital. Impairment losses represent principally assets which are no longer associated with a future income stream.

Capitalized development costs

(USD 000's)	2020	2019
<b>COST:</b>		
Balance at January 1	9,529	8,424
Additions	2,015	1,441
Deletions - completion of useful life	(765)	(46)
Impairment loss	(436)	(290)
<b>BALANCE AT DECEMBER 31</b>	<b>10,343</b>	<b>9,529</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES:</b>		
Balance at January 1	(7,609)	(6,010)
Amortization for the year	(1,579)	(1,935)
Amortization associated with deletions	765	46
Amortization associated with impairment losses	436	290
<b>BALANCE AT DECEMBER 31</b>	<b>(7,987)</b>	<b>(7,609)</b>
<b>CARRYING AMOUNT</b>	<b>2,356</b>	<b>1,920</b>

**16. PROPERTY AND EQUIPMENT**

The following table presents total property and equipment, including Right-of-use assets presented in Note 21. Also refer to Note 2.16 regarding lease accounting policy.

(USD 000's)	Leasehold improvements	Machinery	Other fixtures, fittings, tools equipment	Properties	Total
<b>COST:</b>					
Balance at January 1, 2019	1,363	5,066	2,261	-	8,690
Impact of accounting change	-	-	34	3,204	3,238
Additions	52	629	412	34	1,127
Disposals	-	(46)	(41)	(72)	(159)
Exchange rate difference	(29)	(106)	(50)	(59)	(244)
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>1,386</b>	<b>5,543</b>	<b>2,616</b>	<b>3,107</b>	<b>12,652</b>
Balance at January 1, 2020	1,386	5,543	2,616	3,107	12,652
Additions	421	892	739	545	2,597
Disposals	(106)	(740)	(62)	(183)	(1,091)
Exchange rate difference	149	518	266	282	1,215
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>1,850</b>	<b>6,213</b>	<b>3,559</b>	<b>3,751</b>	<b>15,373</b>
<b>ACCUMULATED DEPRECIATIONS:</b>					
Balance at January 1, 2019	(519)	(3,060)	(1,008)	-	(4,587)
Disposals	-	46	36	-	82
Depreciations for the year	(229)	(896)	(470)	(527)	(2,122)
Exchange rate differences	10	59	21	-	90
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>(738)</b>	<b>(3,851)</b>	<b>(1,421)</b>	<b>(527)</b>	<b>(6,537)</b>
Balance at January 1, 2020	(738)	(3,851)	(1,421)	(527)	(6,537)
Disposals	106	740	61	103	1,010
Depreciations for the year	(256)	(860)	(491)	(556)	(2,163)
Exchange rate differences	(73)	(343)	(152)	(66)	(634)
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>(961)</b>	<b>(4,314)</b>	<b>(2,003)</b>	<b>(1,046)</b>	<b>(8,324)</b>
<b>CARRYING AMOUNT AT DECEMBER 31, 2019</b>	<b>648</b>	<b>1,692</b>	<b>1,195</b>	<b>2,580</b>	<b>6,115</b>
<b>CARRYING AMOUNT AT DECEMBER 31, 2020</b>	<b>889</b>	<b>1,899</b>	<b>1,556</b>	<b>2,705</b>	<b>7,049</b>

**17. TRADE RECEIVABLES AND OTHER**

Trade receivables are non-interest bearing and are generally on payment terms of Net 30 days.

(USD 000's)	2020	2019
Gross trade receivables	23,166	13,235
Provision for uncollectible accounts	(23)	(48)
<b>NET TRADE RECEIVABLES</b>	<b>23,143</b>	<b>13,187</b>
Other receivables and assets	1,328	893
<b>TOTAL TRADE RECEIVABLES AND OTHER</b>	<b>24,471</b>	<b>14,080</b>

The trade receivables of Asetek Danmark A/S carry a general lien of 6 million Danish krone (\$ 1.0 million), representing collateral on Sydbank's engagement with the Company. The carrying amount of trade receivables is approximately equal to fair value due to the short term to maturity. Regarding credit risks, refer to Note 3.

The aging of trade receivables as of the reporting date is as follows:

(USD 000's)	Total	Not yet due	1 to 30 days	Past due: 31 to 60 days	Over 60 days
December 31, 2020	23,166	19,915	2,450	723	78
December 31, 2019	13,235	10,468	2,307	414	46

Credit Loss Provision Matrix

(USD 000's)	Total	Not yet due	1 to 30 days	Past due 31 to 60 days	Over 60 days
Gross carrying amount	23,166	19,915	2,450	723	78
Expected credit loss rate		0.01%	0.10%	1.0%	15.0%
Lifetime expected credit loss	(23)	(2)	(2)	(7)	(12)

A summary of the activity in the provision for uncollectible accounts is as follows:

(USD 000's)	2020	2019
Balance at January 1	(48)	(64)
Additions	(23)	(48)
Reversals	48	64
<b>BALANCE AT DECEMBER 31</b>	<b>(23)</b>	<b>(48)</b>

**18. INVENTORIES**

(USD 000's)	2020	2019
Raw materials and work-in-process	1,875	1,051
Finished goods	1,093	1,228
Total gross inventories	2,968	2,279
Less: provision for inventory reserves	(437)	(622)
<b>TOTAL NET INVENTORIES</b>	<b>2,531</b>	<b>1,657</b>

(USD 000's)	2020	2019
Inventories recognized as cost of sales during the period	(38,556)	(31,329)
Write-down of inventories to net realizable value	(437)	(622)

A summary of the activity in the provision for inventory reserves is as follows:

(USD 000's)	2020	2019
Balance at January 1	(622)	(199)
Additions	(437)	(622)
Write-offs	622	199
<b>BALANCE AT DECEMBER 31</b>	<b>(437)</b>	<b>(622)</b>

**19. SHARE CAPITAL**

During 2020, the Company repurchased 844 thousand of its common shares on the open market for a total cost of \$6.4 million. The Company's existing share buyback program authorizes the purchase of up to an additional 194 thousand shares through March 5, 2021. Shares purchased under the program are used to fulfill obligations under Asetek's employee stock option plan.

In 2020, a total of 734 thousand options (2.8% of total shares, nominal value DKK 73.4 thousand) were exercised

resulting in \$2,381,000 received by the Company. In 2019, a total of 64 thousand options (0.2% of total shares, nominal value DKK 6.4 thousand) were exercised resulting in \$66,000 received by the Company.

As of December 31, 2020, there are 26,433 thousand common shares outstanding with a nominal value of 0.10 DKK per share and 931 thousand shares (3.5% of total shares, nominal value DKK 93.1 thousand) held in treasury. Included in equity is a reserve for treasury shares of approximately \$6,373,000 at December 31, 2020.

The following table summarizes common share activity in the years presented:

(000's)	2020	2019
Common shares outstanding - January 1	25,604	25,540
Common shares repurchased, net	(836)	-
Options and warrants exercised and shares issued	734	64
<b>COMMON SHARES OUTSTANDING - DECEMBER 31</b>	<b>25,502</b>	<b>25,604</b>

The Company does not cancel shares that are repurchased, but maintains them in treasury to fulfill option exercises. Refer to 'Shareholder information' in this report for information on the composition of Asetek shareholders.

**20. NET DEBT**

The following is a summary of the Company's outstanding and net debt:

(USD 000's)	2020	2019
Line of credit	(536)	(746)
Leases - amounts due within one year	(989)	(772)
<b>DEBT INCLUDED IN CURRENT LIABILITIES</b>	<b>(1,525)</b>	<b>(1,518)</b>
Leases - amounts due after one year	(2,604)	(2,774)
<b>TOTAL DEBT</b>	<b>(4,129)</b>	<b>(4,292)</b>
Less: cash and equivalents	27,099	24,505
<b>NET DEBT</b>	<b>22,970</b>	<b>20,213</b>

**Asetek A/S Danmark line of credit.** In September 2012, the Company entered into a revolving line of credit agreement with Sydbank. The line is collateralized by the trade receivables of Asetek Danmark A/S and is payable on demand. At December 31, 2020, the total line was 5.0 million Danish kroner, which equates to \$825 thousand at December 31, 2020. Interest on the line is payable monthly at the Danish CIBOR 3 rate plus 2.25 percentage points, which in total was 2.03% at December 31, 2020. As of December 31, 2020, the Company had 3.25 million Danish kroner (\$ 536 thousand) outstanding on the line. (4.98 million Danish kroner outstanding at December 31, 2019).

Reconciliation of liability for line of credit:

(USD 000's)	2020	2019
Beginning balance	(746)	(741)
Net paid (drawn) on line of credit	269	(22)
Foreign exchange impact	(59)	17
<b>ENDING BALANCE</b>	<b>(536)</b>	<b>(746)</b>

## 21. LEASES

Asetek leases certain equipment, its principal office facilities and certain motor vehicles. Contracts are typically for fixed periods of five years or more for office facilities, five years for equipment, and two years or less for motor vehicles. The leased asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company's office space in Aalborg, Denmark is under lease through July 2025. The Company's office in San Jose, California is under lease through December 2023, with an available option to terminate without penalty beginning in January 2021. The Company's office space in Taipei, Taiwan is under lease until August 2025.

On January 1, 2019, the Group adopted IFRS 16 Leases on a modified retrospective basis without restatement of the prior year, as permitted under the standard. Upon adoption of IFRS 16, Asetek recognized lease liabilities for leases which had previously been classified as operating leases. Refer to Note 2.16 for more details regarding lease accounting policy.

### Reconciliation of lease liability

(USD 000's)	2020	2019
Beginning balance	3,546	879
Accounting change on January 1	-	3,238
Additions to lease liabilities	668	413
Payments of lease liabilities	(831)	(734)
Adjustments/reductions to leases	(80)	(95)
Foreign exchange impact	290	(155)
<b>ENDING BALANCE</b>	<b>3,593</b>	<b>3,546</b>

Total cash payments for leases was \$927,000 and \$868,000 in 2020 and 2019, respectively.

Future minimum lease payments are as follows as of the balance sheet date:

(USD 000's)	2020	2019
Minimum lease payments as of December 31	3,632	3,732
Asset residual at end of lease	91	76
Less: amount representing interest	(130)	(262)
<b>TOTAL OBLIGATIONS UNDER FINANCE LEASES</b>	<b>3,593</b>	<b>3,546</b>
Obligations under leases due within one year	989	772
Obligations under leases due after one year	2,604	2,774
	<b>3,593</b>	<b>3,546</b>

Right-of-use Assets. The following table presents a summary of the Right-of-use assets under lease, which is a subset of the property and equipment presented in Note 16.

(USD 000's)	Machinery	Other fixtures, fittings, tools equipment	Properties	Total
<b>COST:</b>				
Balance at December 31, 2020	1,454	147	3,107	4,708
Additions	-	154	514	668
Disposals and transfers	(79)	(139)	(44)	(262)
Exchange rate differences	143	1	281	425
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>1,518</b>	<b>163</b>	<b>3,858</b>	<b>5,539</b>
<b>ACCUMULATED DEPRECIATIONS:</b>				
Balance at January 1, 2020	(608)	(43)	(527)	(1,178)
Disposals and transfers	79	59	44	182
Depreciations for the year	(285)	(45)	(556)	(886)
Exchange rate differences	(75)	(1)	(65)	(141)
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>(889)</b>	<b>(30)</b>	<b>(1,104)</b>	<b>(2,023)</b>
<b>CARRYING AMOUNT AT DECEMBER 31, 2019</b>	<b>846</b>	<b>104</b>	<b>2,580</b>	<b>3,530</b>
<b>CARRYING AMOUNT AT DECEMBER 31, 2020</b>	<b>629</b>	<b>133</b>	<b>2,754</b>	<b>3,516</b>

## 22. TRANSACTIONS WITH RELATED PARTIES

The Company's CEO serves as Chairman of the Board for a vendor that supplies information technology services to the Company. In 2020, the Company purchased services totaling \$0.7 million (\$0.5 million in 2019) from this vendor. At December 31, 2020 and 2019, the Company had outstanding payables to this vendor of \$30,000 and \$45,000, respectively.

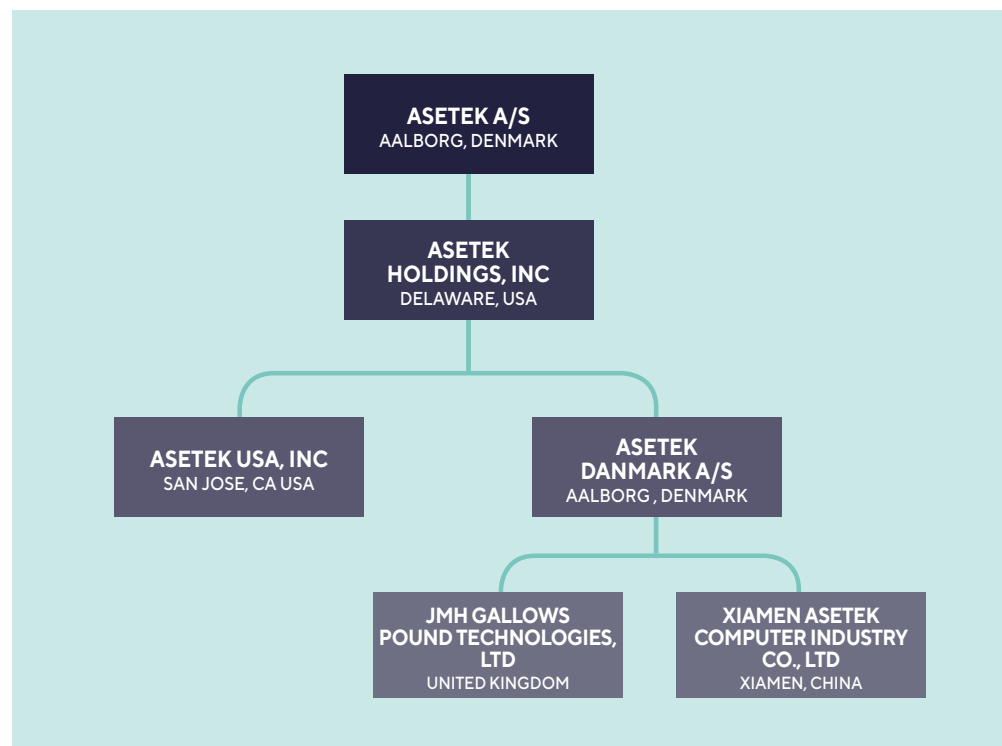
The Company provides sponsorship support for Valdemar Eriksen Racing A/S, an organization partially owned by the Company's CEO. In the years ended December 31, 2020 and 2019, the Company paid \$72,000 and \$62,000, respectively to this organization.



## 23. SUBSIDIARIES

The following entities are included in the consolidated accounts:

Company	Domicile	Stake	Voting Share	Activity
Asetek A/S	Denmark	100%	100%	Trading
Asetek Holdings, Inc.	USA	100%	100%	Inactive
Asetek USA, Inc.	USA	100%	100%	Trading
Asetek Danmark A/S	Denmark	100%	100%	Trading
Xiamen Asetek Computer Industry Co., Ltd.	China	100%	100%	Trading
JMH Gallows Pound Technologies Limited	United Kingdom	100%	100%	Trading



## 24. AUDIT FEES

The Group's principal auditors perform audits for all of Asetek's entities except for the Xiamen, China subsidiary, which is audited by a local firm. The Group's principal auditors received a total fee of \$168,000 and \$299,000 in 2020 and 2019, respectively. Tax services provided by the Company's principal auditors in 2019 included advisory regarding deferred taxes and transfer pricing.

The fee is distributed between these services:

(USD 000's)	2020	2019
Statutory audit	92	99
Other assurance services	13	5
Tax services	39	168
Other consulting	24	27
<b>TOTAL</b>	<b>168</b>	<b>299</b>

Fees for services other than statutory audits provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the group amount to \$56,000 (2019: \$147,000) and consist of accounting advice in relation to an assessment report regarding the purchase of assets from Granite Devices OY, tax advice in relation to US tax matters and other general accounting and tax matters.

## 25. BOARD OF DIRECTORS

The members of the Board of Directors have reported the information below as of the date of this filing. For the year 2020, the board members have been compensated as listed below.

Director name and other positions	Age and gender	Qualifications	Date appointed to end of current term	Independence status	Committee participation	Asetek equity holdings	Shares	2020 Cash Compensation
<b>JUKKA PERTOLA, CHAIRMAN</b> - Tryg A/S and Tryg Forsikring A/S - Chairman of the Board - COWI Holding A/S - Deputy Chairman - GN Store Nord A/S, GN Hearing A/S, GN Audio A/S- Deputy chairman - Siemens Gamesa Renewable Energy A/S - Chairman of the Board - Monsenso A/S - Chairman of the Board - GomSpace Group AB and GomSpace A/S - Deputy Chairman	61, Male	Former executive at Siemens A/S for 25+ years; Technology, Finance, Corporate governance, Risk management. Extensive board experience with multiple Chairman roles for 10+ years.	April 10, 2019 to April 22, 2021	Independent	Compensation (chairman) Nomination	Owned shares	22,500	\$55,500
<b>CHRIS CHRISTOPHER, VICE CHAIRMAN</b> - Rocky Mountain Innosphere - Board member - CloudGen - Board member	77, Male	Former Senior VP, Hewlett Packard; 40+ years of leadership, technology, product development, supply chain; former leader of server and hardware business at HP.	June 19, 2012 to April 22, 2021	Independent	Audit Compensation	Owned shares Warrants @ NOK 10.50 Warrants @ NOK 19.50 Warrants @ NOK 40.10 Warrants @ NOK 76.25	77,422 15,654 14,757 11,000 4,400	\$40,400
<b>ERIK DAMSGAARD</b> - OJ group of companies - Managing director - Masentia group of companies - Chairman of the board - Tentoma A/S - Member of the board - ED Management Holding ApS - Owner - CRD Invest ApS - Managing director - TRD Invest ApS - Managing director	56, Male	20+ years of senior positions in electronics & electrical manufacturing, business development.	April 10, 2019 to April 22, 2021	Independent	Audit	Owned shares	15,660	\$40,400
<b>JØRGEN SMIDT</b> - Heartcore Capital - Venture Partner - InRiver - Chairman of the Board - Onomondo - Chairman of the Board - Freespee - Chairman of the Board - FlatFrog AB - Board member - Confrimit A/S - Chairman of the Board	64, Male	Former VP at Nokia; 25+ years of senior management, business development, product management, operations. Partner, Sunstone Capital.	June 19, 2012 to April 22, 2021	Independent	Compensation	Owned shares	16,600	\$40,400
<b>MARIA HJORTH</b> - Fondsmæglerselskabet Maj Invest A/S - Board member - Maj Invest Equity A/S - Board member - Maj Invest Holding A/S - Board member - Trifork Holding AG - Board member	48, Female	Former CEO Mercer Denmark, 20+ years in finance covering business development, M&A, investor relations.	January 14, 2019 to April 22, 2021	Independent	Audit (chairman)	Owned shares	6,357	\$40,400

## 26. POST BALANCE SHEET EVENTS

The Company has evaluated the period after December 31, 2020 up through the date of the Management Statement and determined that there were no transactions that required recognition in the Company's financial statements, except for the following:

On January 1, 2021, the Company announced an agreement to acquire intellectual property from Finland-based Granite Devices, Inc. to support the continued development of the Company's Gaming and Enthusiast offering. The total consideration paid is EUR 6.8 million (approximately \$8.3 million), of which EUR 3.4 million was paid in newly issued common shares of Asetek. The Company's offering of 348,003 shares was completed on January 4, 2021. The accounting for this business combination in 2021 is not yet complete as of the date of this filing.

## 27. CONTINGENT LIABILITIES

**Legal proceedings.** In the ordinary course of conducting our business, the Company is involved in various intellectual property proceedings, including those in which it is a plaintiff that are complex in nature and have outcomes that are difficult to predict. Asetek records accruals for such contingencies to the extent that it is probable that a liability will be incurred and the amount of the related loss can be reasonably estimated. The Company's assessment of each matter may change based on future unexpected events. An unexpected adverse judgment in any pending litigation could cause a material impact on the Group's business operations, intellectual property, results of operations or financial position. There are no material updates to matters previously reported on the Asetek 2019 Annual Report, except:

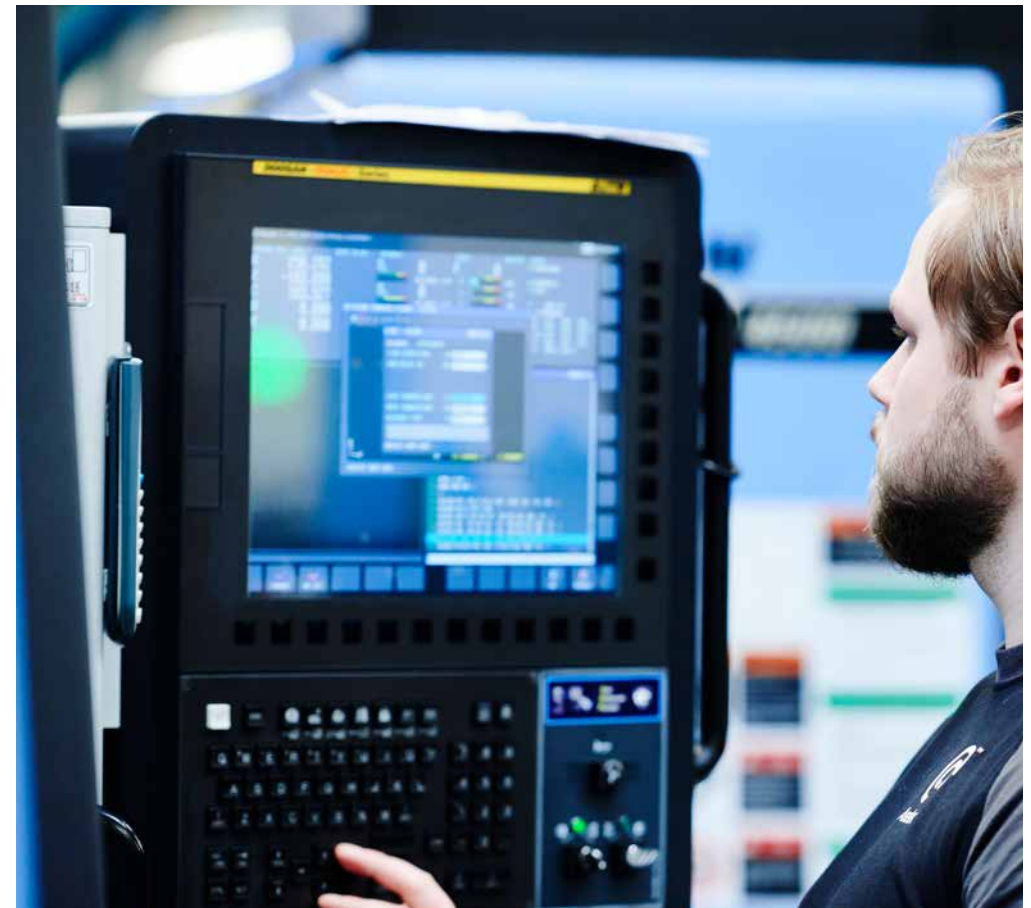
In January 2019, Asetek filed a patent infringement lawsuit against CoolIT in the Northern District of California seeking judgment that CoolIT infringes Asetek's U.S. Patent Nos. 8,240,362; 8,245,764; 9,733,681; 10,078,354; and 10,078,355. CoolIT filed counterclaims asserting infringement of four CoolIT patents, which Asetek denies. On September 17, 2020, Asetek filed a related patent infringement lawsuit against Corsair in the Northern District of California seeking judgment that Corsair infringes Asetek U.S. Patent Nos. 10,078,354; 10,078,355; 10,613,601; and 10,599,196. The court consolidated the two cases and set a trial date for February 2022. Asetek also filed review petitions in the U.S. Patent and Trademark Office (USPTO) to challenge the validity of two of the CoolIT patents asserted in the above litigation, and CoolIT filed review petitions in the USPTO to challenge the validity of three of the five Asetek patents asserted in the litigation. The USPTO is expected to decide those petitions in 2021.

In April 2016, Asetek initiated patent infringement proceedings against Cooler Master and Coolergiant before the District Court The Hague, pertaining to commerce in The Netherlands. Following two appeal stages, the Dutch Supreme Court has now confirmed the invalidation of the Dutch part of Asetek's patent in final instance. As a result thereof, Asetek's claims against Cooler Master remain dismissed, and the claims against Coolergiant will be dismissed by the District Court The Hague.

In 2017, Coolergiant GmbH filed suit against Asetek Danmark A/S in Mannheim District Court requesting declaration of non-infringement in Germany of an Asetek patent. The Company disputed the allegations and filed counterclaim motions. In 2018, the Court ruled that the named Coolergiant products infringe on Asetek's patent

and granted Asetek claims for injunctive relief, rendering of accounts, recall and destruction. Coolergiant appealed the decision and initiated an action to nullify Asetek's patent. In the nullity proceedings, the German Patent Court revoked the German part of Asetek's patent in February 2020. In September 2020, Asetek initiated its

appeal of the decision to the German Supreme Court. The infringement and enforcement proceedings have been stayed until a final decision on the validity of the patent is rendered by the Supreme Court, which is expected by the end of 2022.









# ANNUAL REPORT 2020, PARENT COMPANY

For year ended December 31, 2020



## Asetek

Asetek A/S

CVR-number: 3488 0522

## ASETEK A/S COMPREHENSIVE INCOME STATEMENT, PARENT COMPANY

For the years ended December 31, 2020 and 2019

(USD 000's)	Note	2020	2019
Service fees	13	2,778	2,899
<b>TOTAL REVENUE</b>		<b>2,778</b>	<b>2,899</b>
Research and development	3, 4, 5	(184)	(232)
Selling, general and administrative	3, 4, 5	(3,011)	(3,092)
<b>TOTAL OPERATING EXPENSES</b>		<b>(3,195)</b>	<b>(3,323)</b>
<b>OPERATING INCOME (LOSS)</b>		<b>(417)</b>	<b>(424)</b>
Foreign exchange (loss)/gain	6	425	20
Finance income	6	60	402
Finance costs	6	(22)	(13)
<b>TOTAL FINANCIAL INCOME</b>		<b>463</b>	<b>409</b>
<b>INCOME BEFORE TAX</b>		<b>46</b>	<b>(16)</b>
Income tax	9	152	(77)
<b>OPERATING INCOME (LOSS)</b>		<b>198</b>	<b>(93)</b>
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation adjustments		-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>198</b>	<b>(93)</b>

All operations are continuing.

# ASETEK A/S

## BALANCE SHEET, PARENT COMPANY

As of December 31, 2020 and 2019

(USD 000's)	Note	2020	2019
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Investments in subsidiaries	10	20,100	20,100
Property and equipment	7	197	143
Receivables from subsidiaries	11	115	105
Deferred income tax assets		155	3
<b>TOTAL NON-CURRENT ASSETS</b>		<b>20,567</b>	<b>20,351</b>
<b>CURRENT ASSETS</b>			
Other assets		266	21
Cash and cash equivalents		11,912	14,629
<b>TOTAL CURRENT ASSETS</b>		<b>12,178</b>	<b>14,651</b>
<b>TOTAL ASSETS</b>		<b>32,745</b>	<b>35,001</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	12	433	423
Retained earnings		37,145	33,654
Translation and other reserves		(6,373)	(4)
<b>TOTAL EQUITY</b>		<b>31,204</b>	<b>34,073</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables to subsidiaries	11	430	324
Long-term debt	8	-	10
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>430</b>	<b>334</b>
<b>CURRENT LIABILITIES</b>			
Short-term debt	8	104	78
Accrued liabilities		296	180
Accrued compensation and employee benefits		613	287
Trade payables		99	49
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,111</b>	<b>594</b>
<b>TOTAL LIABILITIES</b>		<b>1,541</b>	<b>928</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,745</b>	<b>35,001</b>

## ASETEK A/S

### STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

(USD 000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
<b>EQUITY AT DECEMBER 31, 2018</b>	<b>422</b>	<b>-</b>	<b>(4)</b>	<b>32,626</b>	<b>33,044</b>
Total comprehensive income for 2019					
Loss for the year	-	-	-	(93)	(93)
<b>TOTAL COMPREHENSIVE INCOME FOR 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(93)</b>	<b>(93)</b>
Transactions with owners in 2019					
Shares issued	1	-	-	65	66
Share based payment expense	-	-	-	1,056	1,056
<b>TRANSACTIONS WITH OWNERS IN 2019</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1,121</b>	<b>1,122</b>
<b>EQUITY AT DECEMBER 31, 2019</b>	<b>423</b>	<b>-</b>	<b>(4)</b>	<b>33,654</b>	<b>34,073</b>
Total comprehensive income for 2020					
Income for the year	-	-	-	198	198
<b>TOTAL COMPREHENSIVE INCOME FOR 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198</b>	<b>198</b>
Transactions with owners in 2020					
Shares issued	10	-	-	2,376	2,386
Shares repurchase	-	-	(6,369)	-	(6,369)
Share based payment expense	-	-	-	918	918
<b>TRANSACTIONS WITH OWNERS IN 2020</b>	<b>10</b>	<b>-</b>	<b>(6,369)</b>	<b>3,294</b>	<b>(3,065)</b>
<b>EQUITY AT DECEMBER 31, 2020</b>	<b>433</b>	<b>-</b>	<b>(6,373)</b>	<b>37,145</b>	<b>31,204</b>



## ASETEK A/S

### STATEMENT OF CASH FLOWS, PARENT COMPANY

For the years ended December 31, 2020 and 2019

(USD 000's)	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) for the year		198	(93)
Depreciation and amortization	7	52	47
Share based payments expense	4	918	1,056
Income tax expense (income)	9	(152)	77
Changes in other assets		(245)	(8)
Changes in trade payables and accrued liabilities		490	(386)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>1,260</b>	<b>692</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	7	(31)	(51)
Net receipts from (payments to) subsidiaries	11	96	2,353
<b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>		<b>65</b>	<b>2,302</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease payments on right-of-use assets		(59)	(15)
Repurchase of common shares	12	(6,369)	-
Proceeds from issuance of share capital	12	2,386	64
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>(4,042)</b>	<b>49</b>
Effect of exchange rate changes on cash and cash equivalents		-	-
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>(2,717)</b>	<b>3,043</b>
Cash and cash equivalents at beginning of period		14,629	11,586
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>11,912</b>	<b>14,629</b>
<b>SUPPLEMENTAL DISCLOSURE - NON-CASH ITEMS:</b>			
Right-of-use assets capitalized under leases		154	114

## NOTES

### 1. GENERAL INFORMATION

Refer to Note 1 to the Consolidated Financial Statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 2020 financial statements for Asetek A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB and adopted by the EU.

The financial statements are presented in U.S. Dollars (USD), which is the functional currency.

The accounting policies for the Parent Company are the same as for the Asetek Group, as per Note 2 to the consolidated financial statements, with the exception of the items listed below.

#### 2.1. Dividends on investments in subsidiaries, joint ventures and associates.

Dividends on investments in subsidiaries, joint ventures and associates are recognized as income in the income statement of the Parent Company in the financial year in which the dividend is declared.

**2.2. Investments in subsidiaries, joint ventures and associates.** Investments in subsidiaries, joint ventures and associates are measured at the lower of cost or the recoverable amount. An impairment test on the investment in subsidiaries is performed if the carrying amount of the subsidiaries' net assets is below the carrying value of the Parent Company's investments in the consolidated financial statements.

### 3. TOTAL OPERATING EXPENSES

Operating expenses consisted of the following for the year ended December 31,

(USD 000's)	2020	2019
Personnel expenses (Note 4)	2,576	2,594
Legal, consultants and auditor	307	471
Other expenses	313	258
<b>TOTAL EXPENSES</b>	<b>3,195</b>	<b>3,323</b>

### 4. PERSONNEL EXPENSES

Total personnel costs for the year ended December 31,

(USD 000's)	2020	2019
Salaries, pension and other	1,658	1,538
Share based payment	918	1,056
<b>TOTAL PERSONNEL EXPENSES</b>	<b>2,576</b>	<b>2,594</b>

Total personnel costs are specified as follows:

(USD 000's)	2020	2019
Research and development	184	232
Selling, general and administrative	2,392	2,362
<b>TOTAL PERSONNEL EXPENSES</b>	<b>2,576</b>	<b>2,594</b>

The average number of employees in the Parent company is two for both years presented. The figures listed above include a portion of the executive management's cash compensation based on an estimate of the actual resources allocated to the management of the parent company. The figures include incentive-based compensation in the form of share options and warrants granted to employees in the Asetek Group. Refer to Notes 6 and 7 in the Consolidated Financial Statements for information regarding incentive compensation programs and management remuneration.

Remuneration of the Group Board of Directors is specified in Note 6 to the Consolidated Financial Statements. The Company's share-based incentive pay program is described in Note 7 of the Consolidated Financial Statements.

### 5. AUDIT FEES

Tax services provided by the Company's principal auditors includes advisory regarding U.S. domicile, U.S. tax reform and transfer pricing.

(USD 000's)	2020	2019
Statutory audit	39	47
Other assurance services	13	5
Tax services	39	168
Other consulting	24	2
<b>TOTAL</b>	<b>115</b>	<b>222</b>

### 6. FINANCIAL INCOME AND COST

(USD 000's)	2020	2019
<b>FOREIGN CURRENCY EXCHANGE (LOSS) GAIN</b>	<b>425</b>	<b>20</b>
Interest income on loans to subsidiaries	24	194
Interest from bank accounts	36	208
<b>TOTAL FINANCE INCOME</b>	<b>60</b>	<b>402</b>
Interest on leases	(4)	(2)
Other finance expense	(18)	(11)
<b>TOTAL FINANCE COST</b>	<b>(22)</b>	<b>(13)</b>

### 7. PROPERTY AND EQUIPMENT

(USD 000's)	2020	2019
Cost:		
Balance at January 1	190	-
Impact of accounting change	-	25
Additions under leases	154	114
Other additions	31	51
Disposals	(139)	-
<b>BALANCE AT DECEMBER 31</b>	<b>236</b>	<b>190</b>
Accumulated depreciation:		
Balance at January 1	(47)	-
Disposals	59	-
Depreciation for the year	(52)	(47)
<b>BALANCE AT DECEMBER 31</b>	<b>(39)</b>	<b>(47)</b>
<b>CARRYING AMOUNT AT DECEMBER 31</b>	<b>197</b>	<b>143</b>

Property and equipment represents vehicles and land in use by the Company.

On January 1, 2019, the Company adopted IFRS 16 Leases on a modified retrospective basis without restatement of the prior year. Refer to Note 21 in the Consolidated Financial Statements.

As of December 31, 2020 and 2019, carrying value of vehicles under right-of-use leases totalled \$132,000 and \$100,000, respectively, and their associated leases are for terms of 12 months.

## 8. LEASES

On January 1, 2019, the Company adopted IFRS 16 Leases on a modified retrospective basis without restatement of the prior year. Refer to Note 21 in the Consolidated Financial Statements.

(USD 000's)	2020	2019
Minimum lease payments as of December 31	15	13
Asset residual value at end of lease	91	76
Less: amount representing interest	(2)	(1)
<b>Total obligations under leases</b>	<b>104</b>	<b>88</b>

Total lease obligations due within one year were \$104,000 and \$78,000 at December 31, 2020 and 2019, respectively.

## 9. INCOME TAX

At December 31, 2020 and 2019, the tax benefit (provision) for Asetek A/S differed from the statutory tax rate as a result of timing differences associated with share compensation expenses that are treated differently for tax purposes.

(USD 000's)	2020	2019
<b>INCOME (LOSS) BEFORE TAX</b>	<b>46</b>	<b>(16)</b>
Tax calculated at domestic rates applicable to profits/losses in respective countries	(10)	3
The effect of timing differences between book and tax	162	(80)
<b>Tax (expense) benefit</b>	<b>152</b>	<b>(77)</b>

Asetek A/S has deferred tax assets at December 31, 2020 and 2019 of \$155,000 and \$3,000, respectively, which represent timing differences between book and tax associated with the recognition of share based compensation expense. In accordance with IAS 12, the Company recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. The estimated tax benefit is calculated considering historical levels of income, expectations and risks associated with estimates of future taxable income. The calculation utilizes the statutory tax rates that are expected to apply to taxable income for the years in which the asset is expected to be realized.

## 10. INVESTMENT IN SUBSIDIARIES

(USD 000's)	Investment in Asetek Holdings, Inc.
Balance at December 31, 2019	20,100
Additions	-
Balance at December 31, 2020	20,100
Carrying amount at December 31, 2019	20,100
Carrying amount at December 31, 2020	20,100

Asetek A/S acquired 100% of Asetek Holdings, Inc. through the exchange of shares in February 2013. At the time of acquisition, Asetek Holdings, Inc. had negative net equity, resulting in the initial investment to be valued at zero. Asetek Holdings, Inc. represents Asetek A/S's only direct investment in subsidiaries.

## 11. NET RECEIVABLES FROM (PAYABLES TO) SUBSIDIARIES

As of December 31,

(USD 000's)	2020	2019
Asetek Danmark A/S	(158)	(266)
Asetek USA, Inc.	(273)	(59)
Asetek Xiamen	24	14
Asetek Holdings, Inc.	92	92
<b>Net receivables from (payables to) subsidiaries</b>	<b>(315)</b>	<b>(219)</b>
<b>Average effective interest rate</b>	<b>5.5%</b>	<b>7.2%</b>

The fair value of receivables and payables corresponds in all material respects to the carrying amount. As of December 31, 2020 and 2019, there is no credit loss provision deemed necessary for receivables from subsidiaries.

## 12. EQUITY

Refer to Note 19 to the Consolidated Financial Statements.

## 13. TRANSACTIONS WITH RELATED PARTIES

Asetek A/S charges its subsidiaries a management service fee. Reference Notes 6 & 11 regarding transactions with subsidiaries. With regard to transactions with related parties that are not subsidiaries, refer to Note 22 to the Consolidated Financial Statements.

## 14. EVENTS AFTER THE REPORTING PERIOD

Refer to Note 26 to the Consolidated Financial Statements

## 15. CONTINGENT LIABILITIES

The Danish group enterprises are jointly and severally liable for tax on group income subject to joint taxation, as well as for Danish withholding taxes by way of dividend tax, royalty tax, tax on unearned income and any subsequent adjustments to these. Asetek A/S has executed a guarantee to its Group's principal bank, Sydbank, for all outstanding matters with its wholly owned subsidiary, Asetek Danmark A/S.

Refer to Note 27 to the Consolidated Financial Statements.

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## MANAGEMENT STATEMENT

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Asetek A/S for the financial year January 1 to December 31, 2020. The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the Consolidated Financial Statements and Parent Company Financial Statements give a true and fair view of the financial position at December 31, 2020 of the Group and the Parent company and of the results of the Group and Parent company operations and cash flows for 2020.

In our opinion, Management's Report includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent company.

In our opinion, the annual report of Asetek A/S for the financial year 1 January to 31 December 2020 with the file name asetek-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aalborg, Denmark

February 23, 2021

## EXECUTIVE BOARD:



André Sloth Eriksen  
Chief Executive Officer



Peter Dam Madsen  
Chief Financial Officer

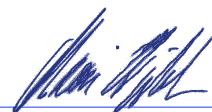
## BOARD OF DIRECTORS:



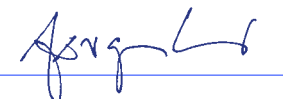
Jukka Pertola, Chairman



Chris J. Christopher, Vice Chairman



Maria Hjorth



Jørgen Smidt



Erik Damsgaard

## INDEPENDENT AUDITOR'S REPORTS

To the shareholders of Asetek A/S

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OUR OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

#### What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of Asetek A/S for the financial year 1 January to 31 December 2020 comprise statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

#### Appointment

Following the admission of the shares of Asetek A/S for listing on Oslo Stock Exchange, we were first appointed auditors of Asetek A/S on 24 April 2014. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 7 years including the financial year 2020.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Capitalization of development costs

The Group capitalizes development costs when certain criteria according to IFRS are met. The criteria for recognition and measurement of development costs is subject to Management's judgment and assumptions, which is uncertain by nature. Completed development projects are assessed quarterly for impairment indications. For in-progress development projects impairment tests are performed quarterly. The impairment tests are based on strategy plan approved by Management and value-in-use calculations based on expected future cash flows.

We focused on this area because the criteria for recognition and measurement of development projects are subject to Management judgments and assumptions.

Refer to note 15 in the Consolidated Financial Statements.

#### How our audit addressed the key audit matter

We selected a sample of in-progress development projects and considered whether all criteria described in IFRS were met as basis for capitalization.

We assessed relevant internal controls and performed substantive audit procedures to verify capitalized amounts.

We evaluated and challenged Management's assessment of impairment indicators of completed development projects based on the commercial prospects of the projects. For in-progress development projects, we challenged the key assumptions applied in the value-in-use calculations.

Our work was based on our understanding of the business cases and key assumptions applied.

We challenged whether the intent to finalize the projects remain and whether the projects are expected to generate future economic benefits exceeding the carrying values.

#### Valuation of deferred tax assets

The Group capitalizes deferred tax assets when certain criteria are met. The criteria for recognition and measurement is subject to Management's judgment and assumptions regarding the future taxable income, which is uncertain by nature. The deferred tax assets relate to net operating losses in Denmark and the US.

We focused on this area due to the size of the deferred tax asset and the size of the total tax losses. Furthermore, there is judgment involved in assessing whether the criteria set out in the accounting standards (IAS 12) for recognizing deferred tax assets have been met, and estimates over the value of deferred tax assets are subjective and uncertain by nature.

Refer to note 11 in the Consolidated Financial Statements.

**How our audit addressed the key audit matter**

We assessed the management's valuation of the deferred tax assets and reconciled this to the amounts recorded in the financial statements.

We challenged estimates made by management in relation to the deferred tax assets through the following audit procedures:

// We received the Group's budgets for the period 2021-2025. We evaluated and challenged the assumptions made by management by comparing budgets to realized figures and realized growth for 2020. Further, we performed look back testing procedures to evaluate management budget procedures.

// We compared the budgets with the deferred tax asset recognized and challenged management on their plan for utilizing the tax losses.

// We utilized our tax specialists in order to ensure compliance to tax rules in respect of determining the value of the deferred tax asset.

**STATEMENT ON MANAGEMENT'S REVIEW**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our

responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent

Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

// Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

// Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

// Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

// Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

// Evaluate the overall presentation, structure, and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

// Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### REPORT ON COMPLIANCE WITH THE ESEF REGULATION

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the Annual Report of Asetek A/S for the financial year 1 January to 31 December 2020 with the file name asetek-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an Annual Report that complies with the ESEF Regulation. This responsibility includes:

// The preparation of the Annual Report in XHTML format;

// The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgment where necessary;

// Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and

// For such internal control as Management determines necessary to enable the preparation of an Annual Report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the Annual Report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

// Testing whether the Annual Report is prepared in XHTML format;

// Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;

// Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;

// Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

// Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and

// Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the Annual Report of Asetek A/S for the financial year 1 January to 31 December 2020 with the file name asetek-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Aarhus, February 23, 2021  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no 3377 1231



Mads Melgaard  
State Authorised Public Accountant, mne34354



Henrik Berring Rasmussen  
State Authorised Public Accountant, mne34157



## STOCK EXCHANGE RELEASES

Issue Date	Subject
December 30, 2020	Transactions carried out under Share Buyback Program
December 22, 2020	Transactions carried out under Share Buyback Program
December 15, 2020	Transactions carried out under Share Buyback Program
December 8, 2020	Transactions carried out under Share Buyback Program
December 1, 2020	Transactions carried out under Share Buyback Program
November 27, 2020	Share capital increase upon exercise of warrants
November 24, 2020	Asetek receives order from existing global data center OEM partner
November 24, 2020	Transactions carried out under Share Buyback Program
November 17, 2020	Transactions carried out under Share Buyback Program
November 17, 2020	Asetek receives order from existing global data center OEM partner
November 10, 2020	Transactions carried out under Share Buyback Program
November 9, 2020	Asetek receives order from existing global data center OEM partner
November 3, 2020	Transactions carried out under Share Buyback Program
November 3, 2020	Asetek receives order from existing global data center OEM partner
October 29, 2020	Outcome of Extraordinary General Meeting
October 27, 2020	Transactions carried out under Share Buyback Program
October 22, 2020	Asetek launches share buyback program to cover employee stock options
October 22, 2020	Q3 2020: Record revenue and EBITDA on strong Gaming & Enthusiast demand
October 20, 2020	Asetek receives order from existing global data center OEM partner
October 20, 2020	Asetek presents third quarter 2020 results on Friday, October 23
October 19, 2020	Financial calendar
October 19, 2020	Update to full year 2020 guidance
October 7, 2020	Asetek receives order from existing global data center OEM partner
October 7, 2020	Notice of Extraordinary General Meeting October 29, 2020
September 29, 2020	Transactions carried out under Share Buyback Program
September 24, 2020	Transactions carried out under Share Buyback Program
September 15, 2020	Share capital increase upon exercise of warrants
September 15, 2020	Transactions carried out under Share Buyback Program
September 9, 2020	Asetek receives order for new HPC installation from existing data center OEM partner
September 8, 2020	Transactions carried out under Share Buyback Program
August 31, 2020	Transactions carried out under Share Buyback Program
August 25, 2020	Asetek receives order for new HPC installation from existing data center OEM partner
August 25, 2020	Transactions carried out under Share Buyback Program
August 24, 2020	Asetek receives order for new HPC installation from existing data center OEM partner
August 19, 2020	Share capital increase upon exercise of warrants
August 17, 2020	Update to full year 2020 guidance
August 17, 2020	Transactions carried out under Share Buyback Program
August 14, 2020	Major shareholder announcements

Issue Date	Subject
August 12, 2020	Mandatory notification of trade: executive management exercises warrants and sells shares
August 12, 2020	Share capital increase upon exercise of warrants
August 12, 2020	Q2 2020: Gross margin increase and raised full-year expectations
August 10, 2020	Transactions carried out under Share Buyback Program
August 7, 2020	Asetek presents second quarter 2020 results on Wednesday, August 12
August 3, 2020	Transactions carried out under Share Buyback Program
July 27, 2020	Transactions carried out under Share Buyback Program
July 21, 2020	Update to full year 2020 guidance
July 20, 2020	Transactions carried out under Share Buyback Program
July 14, 2020	Transactions carried out under Share Buyback Program
July 7, 2020	Asetek collaborates with HPE to deliver next-gen HPC server cooling solutions
July 6, 2020	Transactions carried out under Share Buyback Program
June 29, 2020	Transactions carried out under Share Buyback Program
June 22, 2020	Transactions carried out under Share Buyback Program
June 15, 2020	Transactions carried out under Share Buyback Program
June 8, 2020	Transactions carried out under Share Buyback Program
June 2, 2020	Transactions carried out under Share Buyback Program
May 26, 2020	Share capital increase upon exercise of warrants
May 25, 2020	Transactions carried out under Share Buyback Program
May 18, 2020	Asetek receives repeat order from existing global data center OEM partner
May 18, 2020	Asetek launches share buyback program to cover employee stock options
May 14, 2020	Asetek receives order from server OEM partner
May 6, 2020	Disclosure of shareholding
April 23, 2020	Employee stock option grant
April 22, 2020	Outcome of Annual General Meeting
April 22, 2020	Q1 2020: Lower revenue and increased gross margin
April 21, 2020	Asetek receives order for new HPC installation from existing global data center OEM partner
April 17, 2020	Asetek presents first quarter 2020 results on Wednesday, April 22
March 30, 2020	Notice of Annual General Meeting April 22, 2020
March 19, 2020	Mandatory notification of trade: CEO purchases shares
March 18, 2020	Mandatory notification of trade: Board member purchases shares
March 11, 2020	Mandatory notification of trade: CFO purchases shares
February 25, 2020	Q4 2019: Revenue in line with expectations, evolving gaming and enthusiast business model
February 19, 2020	Asetek presents fourth quarter and annual 2019 results on Wednesday, February 26
February 11, 2020	Supply chain update
February 10, 2020	Financial calendar
January 30, 2020	Asetek to supply liquid cooling solutions to global server OEM

## DEFINITIONS OF RATIOS AND METRICS

Asetek uses various metrics, financial and non-financial ratios which provide shareholders with useful information about the Group's financial position, performance and development.

### PROFIT & LOSS

#### Adjusted EBITDA

Operating income + amortization & depreciation + share-based compensation

#### Gross margin

Gross profit / Revenue

#### Operating margin

Operating income / Revenue

#### Return on Invested Capital (ROIC)

Income for the year / Invested capital

#### Organic growth

(Revenue current year – Comparable revenue\* prior year) / Comparable revenue\* prior year

\*Comparable revenue excludes changes in revenue attributable to foreign exchange rates and any acquisitions or divestments.

### BALANCE SHEET

#### Invested capital

Equity raised from sale of shares and conversion of debt + interest bearing debt

#### Quick ratio

(Cash and cash equivalents + Trade receivables and other) / Total Current Liabilities

#### Current ratio

Total current assets / Total current liabilities

#### Days sales outstanding

Trade receivables / (Revenue / 365 days)

#### Inventory turns per year

Cost of sales / (beginning inventory + ending inventory / 2)

#### Days payable outstanding

Trade payables / (Cost of sales / 365 days)

#### Debt to equity

Interest-bearing debt / Total equity

#### Stock Market

Earnings per share, basic

Refer to Note 12 of the Consolidated financial statements

#### Earnings per share, diluted

Refer to Note 12 of the Consolidated financial statements

#### Share price to earnings

Share price / NOK to USD exchange rate / Earnings per share, diluted

#### Market capitalization

(Shares issued – Treasury shares) x (Share price in NOK / NOK to USD exchange rate)

### BUSINESS DRIVERS

#### Average selling price per unit, Gaming and Enthusiast

Gaming and Enthusiast revenue / Sealed loop units shipped

#### Revenue per employee

Revenue / Number of employees





**Asetek A/S**

Assensvej 2  
DK-9220 Aalborg East  
Denmark

Phone: +45 9645 0047  
Fax: +45 9645 0048  
Web: [www.asetek.com](http://www.asetek.com)  
Mail: [info@asetek.com](mailto:info@asetek.com)